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Daily Report

Latin America

FBIS-LAT-94-249
Wednesday
28 December 1994

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Mercosur Council Defines Further Customs Clauses

PY2312192394 Sao Paulo GAZETA MERCANTIL in Portuguese 19 Dec 94 p 6

[FBIS Translated Text] Here are some other decisions made by Mercosur [Common Market of the South] Council:

—Application norms on customs clearance. Here is a list of customs procedures for shipments entering the customs territory and for exporting shipments. Unless a single official model is established within Mercosur, merchandise must respect the rules in effect in each country.

—Brasilia Protocol Courts. An arbitration court will receive complaints and resolve controversies that may occur within Mercosur. It will be headquartered in Asuncion, Paraguay.

—Circulation of cars. Cars for exclusively private use and tourism will be allowed to circulate freely in Mercosur countries. These cars must be driven personally by their owners or authorized persons, with one exception: Vehicles transporting merchandise which, by characteristics and quantity, could lead one to believe is meant for commercial purposes will not be entitled to free passage. In this case laws of the country where the merchandise is detected must be applied.

—Baggage system. This document classifies the category of baggage, travelers, and franchises. Baggage accompanied (what the traveler takes with him in the same vehicle, except for what goes as cargo) is exempt from duty on clothes or personal belonging, books, leaflets, and newspapers. Travelers entering a Mercosur country by air or sea will be exempt from duty on other goods up to a maximum of $300 (if the country of arrival has a higher limit, the higher limit prevails). If the traveler arrives by land the minimum is $150. Goods surpassing this threshold will pay 50 percent duty. Travelers will also be entitled to an additional minimum of $300 worth of goods purchased in "duty free shops" in the country of arrival. Whatever surpasses this limit will pay 50 percent duty.

—Banks. Consolidated Global Banking Supervision has been adopted by Mercosur country members to regulate and control financial system institutions.

—Transportation of dangerous substances. The Mercosur Council has added to the agreement on transportation of dangerous products an article that allows the formation of committees of experts to formulate, review, and update the agreement annexes. The committees must meet within two years.

—Customs evaluation of merchandise. This defines the way the customs value of imported goods will be calculated: it comprises the cost of transportation to the port or destination plus delivery and handling expenses, plus insurance. The norm also establishes the creation of customs evaluation centers. There must be one center in each Mercosur country. The center will have up to 60 days to accept the declared value, determine a new value, or begin to investigate cases when the declared value is unreasonable.

—Multi-modal transportation. The agreement establishes norms when at least two kinds of transportation are used to import or export goods. It also establishes norms for the collection, documentation, storage, handling, and delivery of merchandise to its final destination. Controversies will be handled through technical negotiations among Mercosur countries. If a solution is not reached or if the solution is partial, the procedures foreseen in the Controversy Solution System of the Treaty of Asuncion must be adopted.

Central America To Retain 20 Percent of Coffee Harvest

PA2212230994 Guatemala City SIGLO VEINTIUNO in Spanish 21 Dec 94 p 5

[Report by Juan Carlos Ruiz Calderon]

[FBIS Translated Text] Central America on 20 December decided to implement a plan that calls for retaining 20 percent of the exportable coffee harvest in an effort to induce an increase in the international coffee prices.

In addition, Colombia pledged to support our region in this effort, but it failed to inform us whether it will retain the same amount announced by the Isthmian coffee producers.

Rene Montes, Guatemalan ambassador to the OIC [International Coffee Organization], said that the decision is the result of recent drops in the coffee prices despite the natural disasters that noticeably affected the Brazilian harvest.

The Brazilian coffee region endured two frosts in June and July 1994, which, added to the drought experienced shortly thereafter, drastically reducing the world's coffee production.

The retaining plan will come into effect on 1 January 1995 and will be reviewed in the first half of March 1995 or when, as a point of reference, the base Arab-type coffee price, which changes every 15 days on average, reaches $1.90 per pound.

Cuba

UN Envoy: Vote One of 'Greatest Injustices'

FL2412151894 Havana Radio Progreso Network in Spanish 1100 GMT 24 Dec 94

[From the "First Thing" program]

[FBIS Translated Text] Cuba described approval by the UN General Assembly of a U.S.-sponsored document on the human rights situation in Cuba as one of the greatest injustices in recent UN history. Cuban delegate Juan Antonio Fernandez described the unfair vote as a concession to the use of force by a power endeavoring to defeat a small country and reiterated that the U.S. Government lacks any political or moral authority to be an arbiter of human rights in Cuba. Despite heavy U.S. pressure at the United Nations, the document on the human rights situation in Cuba was supported by fewer nations than last year and encountered a greater number of abstentions and opposing votes.

Diplomatic Sources: Ties With Brazil 'Fruitful'

PA2612232794 Havana PRENSA LATINA in Spanish 1702 GMT 26 Dec 94

[Report by Francisco Forteza]

[FBIS Translated Text] Brasilia, 26 Dec (PL)—Relations between Cuba and Brazil have been very fruitful in the last two years and they will continue to develop, Cuban diplomatic sources said here today.

According to the sources, bilteral relations with that South American nation are currently at a high point, especially because of the Brazilian Government's firm position of supporting Cuba in the international arena and of opposing the U.S. blockade.

The year 1994 proves it because during this year, high-ranking Cuban officials paid official visits to Brazil, the most important of them being the visit by Cuban Vice President Carlos Lage and Foreign Minister Roberto Robaina.

Cuban President Fidel Castro, however, also visited Brazil in 1994—last May—when he made a brief stopover in Salvador, capital of the State of Bahia, on his way back from South Africa where he attended Nelson Mandela's inauguration.

On that occasion, the Cuban president received from this federal capital a welcome message from President Itamar Franco, who conveyed to Castro the appreciation and friendship Brazilians feel for Cuba.

Fidel Castro warmly thanked Franco's for his greetings and added that even though his stay in Brazil was short "my affection for this friendly, exceptional, and extraordinary country will be eternal."

That was the fourth time the Cuban president had visited Brazil. The first was during the 1990 presidential inaugural, the second was during the world environmental conference held in Rio de Janeiro in June 1992, and the third was during the Ibero-American Summit held in Salvador in 1993.

The Cuban diplomatic sources noted that Vice President Lage took a six-day tour through this huge South American nation last February, the results of which were described by the visitor himself as positive.

During his stay, Lage held meetings with President Franco, with three cabinet ministers, including President-elect Fernando Henrique Cardoso, as well as with the governors of Sao Paulo and Rio de Janeiro and several businessmen.

Lage told PRENSA LATINA on that occasion that his trip to Brazil was aimed at the improvement of the bilateral political, trade, and economic relations and the promotion of scientific cooperation agreements in the areas of agriculture, public health, and other fields.

A $30-million contract for the export of Cuban medicines to Brazil was signed at the time, and the Cuban leader said this was just the beginning of greater amounts of exports to come.

In the area of health, mutual cooperation includes the dispatching of Cuban doctors to remote Brazilian regions, sales of a Cuban vaccine against meningococcic meningitis, types B and C, which are now being applied in Rio de Janeiro, and cooperation in the implementation here of a primary medical treatment program following the methods created in Cuba 10 years ago.

In the field of business, local business groups are making investments in the island and are studying other projects, encouraged by the great incentives offered by Cuban laws in this regard.

In an event that had wide international coverage, Brazilian Foreign Minister Celso Amorim met in Havana with the Cuban president in early July, an occasion in which he reiterated Brazil's opposition to unilateral measures such as the U.S. blockade against the island.

Cuban Foreign Minister Roberto Robaina traveled to Brazil last August and gave President Franco a message from Fidel Castro announcing Cuba's adherence to the Treaty of Tlatelolco on the nonproliferation of nuclear weapons in Latin America.

The Cuban president has stated on several occasions during the last few months his appreciation for the international positions adopted by Brazil, which has rejected the blockade imposed by the United States against the island for more than 30 years.

President Franco also stated his viewpoints in this regard during the Summit of the Americas, held earlier this month at the invitation of the United States, with the absence of Cuba.

Brazilian Government officials have stated that their rejection of the U.S. blockade and their decision to promote Cuba's full integration into the Latin American community constitute a position of principles that will not be abandoned by Brazil.

Commercial Attache in Paraguay Interviewed

PY2412001294 Asuncion ULTIMA HORA in Spanish 19 Dec 94 p 27

[Interview with Jose Fernandez Vilela, commercial attache in Paraguay, by unidentified reporter; place and date not given]

[FBIS Translated Text] [ULTIMA HORA] What reasons pushed Cuba to implement an economic opening?

[Fernandez] A change was necessary because world conditions changed. The socialist world, with which we had favorable or privileged economic relations, disappeared. We are the only country that is not part of a financial system. You cannot isolate yourself from the world. The Koreans are negotiating to join some areas of the capitalist system, the Chinese have already joined it, and of course the Russians have done so. Meanwhile we continue on our own.

[ULTIMA HORA] Then...?

[Fernandez] Then we were forced not only to open up the economy, but also to adapt to a world that will not adapt to us. We are trying to harmonize the Revolution with a new economic model, maintaining the socialist distribution principle and seeking more efficient production methods.

[ULTIMA HORA] Cuba's Revolution has a number of achievements that are recognized even by its staunchest adversaries. How will the reforms affect these achievements?

[Fernandez] Our goals today are to preserve the good things produced by the revolution with great effort and to make the productive apparatus more efficient. The purpose is to protect our achievements.

Food, a Crucial Issue

[ULTIMA HORA] What plans does the Cuban Government have with respect to the social achievements that have consolidated during the past 35 years?

[Fernandez] Our plan is to maintain the population's standard of living and our schemes in education, health, and food. We had to cancel other things. We are seeking to maintain a socialist profile while attempting to establish a mixed economy.

The first socialist premise is to satisfy people's material needs. We are not doing that today.

[ULTIMA HORA] Is this a change from previous social conceptions?

[Fernandez] No. It is only a return to what was sponsored by Che Guevara during the first stage of the Revolution: More incentives in human aspects than in economic aspects.

[ULTIMA HORA] The problem, then, is essentially economic...

[Fernandez] No. Factories' inactivity is not an exclusive economic problem. On the contrary, the problem is essentially social: Workers are laid off, the state must pay a subsidy, and the problem is growing.

First, if we do not do anything, we will die of starvation. Agricultural production dropped substantially during the past years. We decided that the important thing was to take the country out of the ditch by any appropriate mechanism. It is not easy. We will have difficulties in maintaining the revolution's achievements, but we must face them.

The September issues of GRANMA and JUVENTUD REBELDE published an interview with Raul Castro, the Cuban Communist Party secretary general and commander of the Cuban Armed Forces, announcing the problem in big headlines: "Risks do not matter if people have food to eat."

Reactivate Yes, Privatize No

[ULTIMA HORA] Where does the need for change start?

[Fernandez] Let me give you a little background. Cuba's economy is almost completely state controlled. The model worked quite well for almost three decades with the cooperation with socialist countries. We received a good price for our sugar, cheap oil, and credits that were often soft.

[ULTIMA HORA] What about subsidies?

[Fernandez] No. That is not, in any way, the assistance policy that is usually mentioned by other governments. For instance: At this time the United States gives Israel more than $15 billion per year. Former socialist countries can ask for repayment of a similar amount from Cuba after 30 years of cooperation. This is, this money was never a subsidy.

[ULTIMA HORA] But what measures can we expect Cuba to implement?

[Fernandez] We have a plan to stop subsidizing state companies as of 1996. We want to open a free market of industrial products as of January 1995. We have a free agriculture market already in place.

[ULTIMA HORA] Privatization?

[Fernandez] No. We bet on mixed enterprises, the state owning 51 percent of the shares. This will permit us to maintain—besides the property—some parameters with respect to labor laws and workers' benefits.

The matter is simple. Under present conditions I do not have the money, the technology, or the market to operate a factory. Therefore, I need a foreign associate. This associate, the state, and the rest of the country will benefit. What we will not do is lose the factory's ownership.

Our People Are the Guarantee

[ULTIMA HORA] The reform will also have difficult political problems. How will Cuba reestablish the bases of capitalism after fighting it for 30 years?

[Fernandez] We will face that risk with a people formed in the revolution. Our people were raised practicing socialist methods and ideas. Our people have a great educational reserve, and a morale that is incomprehensible for those who have not lived our experience up close.

[ULTIMA HORA] How does the population see those changes?

[Fernandez] The Cuban people do not want capitalism. What they want is a mechanism making production more efficient and encouraging the production of really needed goods.

The fact is that the situation could no longer continue as before. The system of state harvest did not work. More than 50 percent of what was produced was lost before reaching consumers. And everything reappeared on the black market. The system gradually deteriorated until it became a real burden.

This provoked the need for deep changes. The entire people feel there is need for change. Today we guarantee everyone a minimum quota of food. Part of our agricultural production is compulsorily assigned to common consumers, and part is sent to the free market so that agricultural producers can have their own profits. Nothing strange.

[ULTIMA HORA] What political issues are Cubans discussing today?

[Fernandez] There is a consensus on the fact that the single party system has been and is still valid, although there are strong pressures to create internal factions. This is the current axis of Cubans' political discussion. Without a doubt, 1995 will be a year of great political changes.

Honduran Party President Arrives in Havana

FL2712030394 Havana Radio Rebelde Network in Spanish 0000 GMT 26 Dec 94

[From the "Exclusive" program]

[FBIS Translated Text] Jorge Altura Reina, president of the Liberal Party of Honduras, arrived in Havana today in response to an official invitation from the State Council. Upon his arrival, Reina, who is also vice president of the Honduran National Council, explained that relations between Cuba and Honduras are favorable and that he has come to discuss matters of mutual interest.

Ecuadoran Christians' Protests Over Radio Marti Reported

FL2612190394 Havana Radio Rebelde Network in Spanish 1800 GMT 26 Dec 94

[From the "National Radio News"]

[FBIS Translated Text] Ecuador's Christian community has condemned U.S. radio broadcasts to Cuba, denouncing them as one of many forms of aggression against the Revolution and the Cuban people. Father Fabian Vasquez told those participating in a ceremony at San Pablo parish, south of Quito, that so-called Radio Marti tries to undermine the Cuban people's minds and expressed confidence that the Cuban people will once again defeat such an affront. The Ecuadoran Christians met around a bonfire that symbolized solidarity with life, peace, justice, and nonaggression toward Cuba. Participants signed a communique demanding an end to Radio Marti broadcasts, which are a violation of Cuba's sovereignty and international law and an attempt against peace and life.

Foreign Military Attaches Tour Eastern Territories

FL2412003894 Havana Radio Rebelde Network in Spanish 1800 GMT 23 Dec 94

[From the "National Radio News"]

[FBIS Translated Text] Military attaches stationed at foreign embassies in Cuba conclude a tour of the eastern territories today. Army General Raul Castro invited the attaches to conduct the tour. Correspondent Arnaldo Garcia reports that the visitors have toured a large forward unit of the Cuban Revolutionary Navy which is vying for the Antonio Maceo combativeness order. The attaches this morning laid a wreath and were briefed on some of Holguin's historic events at Major General Calixto Garcia Plaza. They also visited a sugarcane combine factory. They are currently visiting Holguin's mechanical complex. The group will visit other Eastern Army units and soldiers in the area later. The attaches yesterday visited (Pinar de Mayari)'s ecological tourism development facility and the Guarda La Vaca tourist area, which is considered Holguin Province's most important tourist area. It has 860 rooms, which are expected to grow to 3,000 rooms in the next five years mostly through foreign investment. The attaches visited the recently inaugurated Delta Las Brisas Hotel, at Guarda La Vaca's beach. The hotel's administration is shared with Delta, a Canadian hotel chain.

Politburo's Machado on Party Growth, Work

PA2512232094 Havana PRENSA LATINA in Spanish 0029 GMT 24 Dec 94

[Report by Javier Rodriguez]

[FBIS Translated Text] Havana, 23 Dec (PL)—In the past few years, the Communist Party of Cuba [PCC] grew at the rate of more than 30,000 new members annually, PCC Politburo member Jose Ramon Machado Ventura said today.

In an interview with PRENSA LATINA, Machado said that many Cubans voluntarily join the party with the sole purpose of solving their difficulties through efforts and work and by fighting to preserve the improvements obtained since the triumph of the Revolution in 1959.

Machado said: Right now we have more than 710,000 active members. But this figure does not include the additions in the most recent two or three months, which would give us approximately 720,000 members at the end of 1994. We expect to maintain a growth rate equal to that of the most productive new membership years.

He pointed out that this increase in PCC membership has occurred despite the impact of the disappearance of socialist countries and parties in East Europe and "the position of those who disavowed this ideology" in the rest of the world.

Discussing the party's work during 1994, he underlined the importance of supporting the country's economic decisions and measures in accordance with the international reality created by the hardening of the U.S. embargo and the aforementioned crisis in East Europe.

It became necessary to work hard to make it easier for the people to understand the need for these measures, which represent a change in our view of the economic order and are essential for our development and to save the homeland and socialist improvements, he said.

Machado said that the PCC was at the center of this activity and played an important role in explaining the measures, endorsing their application, and enforcing their control, which he regarded as even more important.

We all know that some of these measures were enacted in a very short time and very rapidly, and even misinterpreted by certain fellow members, but the party has been alert, making sure they are enforced as instructed by the top party leadership and the government, he said.

He then referred to another of the fundamental tasks carried out during the year about to end, the transfer and removal of leaders in eight provinces. Machado said that the purpose of this was to reinforce the party's activities. He added that most of the new PCC leaders in those provinces are well-trained young men and that this makes it always possible to ensure experienced replacement in leadership positions. This has been fulfilled in 1994, not only through the number of changes but also through the selections that have been made. We have progressed in this direction, he said.

As for other important work carried out this year, he later referred to the territorial meetings, where even administrative officials have participated, which were presided over by PCC Second Secretary General Raul Castro.

These tasks acted as framework and guidelines for our work, linking it more closely with daily problems and the people's needs, the party's clarity when it came to expressing its opinion, the party's relationship with the rank and file, and the solution or impossibility of solving any problems, he said.

He said that this work style continues to be applied in the Politburo's visits to provinces to follow up on the problems that were debated on that occasion. This elicited greater eagerness to fulfill difficult tasks.

Machado Ventura thinks that unity and cohesion have been decisive for the organization, both during 1994 and throughout its entire existence.

Faced with forecasts of alleged tendencies or nonexistent softening in the party, the organization maintains exemplary cohesiveness, shows fidelity to its top leaders—especially to Comrade Fidel (Castro)—is very disciplined, and is fully aware of its role in this period, he said.

Talking about their plans for 1995, the Politburo member asserted that it is fundamental to give people as much information as possible and to continue supporting the economic measures that have been adopted and the ones that remain to be implemented. We have to implement them, assist in their improvement, and foster greater understanding of those measures, he said.

In this respect, Machado Ventura referred to the successes of the workers movement and the people's power up to now. He praised the democratic character of their debates and the trustworthy manner in which the people's opinions were obtained.

The party worked a great deal in this area in 1994 and will have to do so even more in 1995, he stated.

Answering a question, Machado Ventura said the Cubans have shown that they want socialism and appreciate the achievements made since the start, for example: ending discrimination, furthering the right to work, striving for women's equality, giving people access to education and culture, and respecting the individual.

That is why those who think our people do not know that the enemy intends to asphyxiate and make us disappear are wrong. The Cubans know that what is at stake is more than the existence of the party or the system: the fatherland and the country are at stake, he clarified.

Later, he underscored the point that despite U.S. pressure to isolate Cuba and even to stop foreign investors from participating in the country's development, the number of investors increases every day, as do the island's relations with nations and governments.

A last evaluation of Cuba's prospects for the future:

We have to be optimists. We always have been optimists, even in the most difficult circumstances, because that is what corresponds to a revolutionary, a Communist. But it is a fighting optimism, not a passive one. We have to always think that things have to be created with our work because our vitality is what will allow the revolution to live forever.

Minister Points to Achievements in Education

PA2412043694 Havana PRENSA LATINA in Spanish 1704 GMT 23 Dec 94

[FBIS Translated Text] Havana, 23 Dec (PL)—The fundamental achievement of education in Cuba in 1994 was that it managed to keep all the schools functioning in the midst of difficult conditions, Education Minister Luis Ignacio Gomez has stated.

In closing the ceremony marking Teachers' Day in eastern Las Tunas Province, Gomez affirmed that the advances should continue to be consolidated to develop better learning conditions for students, the daily GRANMA reported today.

He also acknowledged the work by educators, who—he said—are advancing the current school term since no school has been closed and are providing better quality based on more advanced training and and intense methodology.

Luis Abreu, secretary general of the National Education, Science, and Sports Workers Union, also urged teachers to maintain and develop in 1995 one of the gratest gains of the work of the revolution in Cuba.

Education is included among the sectors of highest priority in 1995. To that effect, the National Assembly of the People's Government earmarked more money for this sector for next year.

Despite cuts in allocations to lower the budget deficit, the total amount for education rose by 4.4 percent compared to this year.

This development demonstrates the importance the government attaches to this endeavor, which President Fidel Castro considered one of most beautiful and cherished tasks of the people, and which has the widest recognition.

In a recent letter to educators, President Fidel Castro recalled the feats of these workers to fight illiteracy and bring education to all the corners of the country.

In that respect, he also underscored the effort to keep learning institutions working regardless of the circumstances, the goal of raising the quality of education, and the struggle for systematic improvement.

Head of Revolution Defense Committees Interviewed

PA2512203094 Havana PRENSA LATINA in Spanish 1610 GMT 25 Dec 95

[FBIS Translated Text] Havana, 25 Dec (PL)—The incentive for human solidarity, the defense of the revolutionary values, and the promotion of debates in homes, streets, and neighborhoods today constitute unpostponable challenges for the largest public organizations in Cuba, namely the CDR's [Committees for the Defense of the Revolution].

CDR National Coordinator Juan Contino Azlan has said in an interview with the weekly JUVENTUD REBELDE that the CDR's, which were created in 1960, are demanding a renovation that will return to them their moving ability and the prestige that has been dwindling in the last few years.

Contino has said "we have urgent tasks, because there are many things that need to be renewed and rescued. It is not a secret for anyone that the CDR's need to be adjusted. We must reinstate their original image; that is, a more enriched image."

As he has said, the essence and principles on which these organizations were founded will not change, and he has said he favors approaching political tasks in a new fashion, without resorting to those traditional methods that have often bordered on boredom, and promoting debates in streets, homes, grocery stores, or even a barber's shop.

"We coordinate the public's initiatives, and we must awaken them and rejuvenate them so they can work," Contino has said, acknowledging without pessimism "it is going to be quite difficult for us to [words indistinct] objectives that made the organizations rather unattractive."

According to what Contino has said, the CDR's are trying to recover such values as solidarity, cooperation, and help among their members as though they were a large family, without neglecting such noble tasks as voluntarily donating blood and participating in public health and hygiene campaigns throughout the country.

He also has said the organizations existing in each bloc will keep among their priorities the revolutionary surveillance, without distorting it with gossip, and the defense of such conquests achieved since 1959 as citizens' calmness and the recovery of raw materials or other useful industrial waste.

Indeed, the CDR's are embarking on several social and festive activities throughout the nation in these last few days of 1994 and are displaying an offensive in the mobilization and organization of people in the neighborhoods to welcome the new year, which coincides with the 36th anniversary of the victory of the Cuban Revolution.

A marathon, a family walk, domino tournaments, and an operation to clean and embellish the streets are scheduled to celebrate the occasion, as part of the campaign "A Great December for Great People."

Tank Unit Exercise Commemorates Revolution's Anniversary

FL2312235594 Havana Radio Rebelde Network in Spanish 1255 GMT 23 Dec 94

[Report by Alfredo Forte; from the "Doing Radio" program]

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Agriculture Minister Discusses Food Production

FL2612145194 Havana Radio Rebelde Network in Spanish 1800 GMT 24 Dec 94

[From the "National Radio News"]

[FBIS Translated Text] Agriculture Minister Alfredo Jordan said in Villa Clara that the worker-area link must be successful in 1995 because it is the formula for producing food in Cuba. Jordan, a Politburo member, added that when a worker's income is dependent on the yield of 10 rows of plantains, he acts as the owner, yet no one can develop any feelings toward a field when 75 different pairs of hands go through it. Jordan affirmed that the problem in agriculture is not resources, because seldom has a crop been lost to the lack of fuel or fertilizers, but due to labor shortages and inefficient organization. During the first national meeting of basic cooperative production units [UBPC] accountants which ends today in Santa Clara, Jordan affirmed that 20 percent of the UBPC are attaining outstanding results, and the ones performing poorly ought to change or disappear. Regarding income, Jordan added no one should get upset if those working the furrow earn a lot because what matters is that the people have food. Jordan also stressed that what worries us as a state is that the UBPC fulfill their production commitments and pay their debts.

TRABAJADORES on Protection for Low-Income Citizens

FL2612205094 Havana Radio Rebelde Network in Spanish 1800 GMT 26 Dec 94

[From the "National Radio News"]

[FBIS Translated Text] The 26 December editorial of TRABAJADORES newspaper discusses the issue of protection for low-income citizen groups as it analyzes measures implemented to improve national finances. The newspaper quotes Finance and Price Minister Jose Luis Rodriguez who stated during the recent session of the National Assembly of the People's Government that in the decisions adopted throughout the year, every possible effort had been made not to affect vital purchases or services for the population, and to provide a safety net for lower-income sectors.

TRABAJADORES adds that despite the current difficult economic situation, the funds allocated for social security have been maintained and even increased to 1.57 billion pesos in 1995. Furthermore, it adds, social assistance funds in 1995 will climb to 154 million. This includes salary assistance projections for surplus workers in accordance with Resolution No. 6 of 1994.

In the analysis of price policies for subsidized food products, TRABAJADORES stresses that milk, beans, chicken rations for children, and a great many other items are sold at prices infinitely lower than their cost, particularly considering the need to buy in far-flung markets as a direct result of the Yankee blockade.

If to this and many other elements we add a free and universal national education and health system, TRABAJADORES notes, there is no doubt we have a clear, well-defined policy to protect low-income citizens. This differs drastically, the newspaper adds, from the situation experienced day in and day out by workers and families in Latin America as a result of neoliberal policies, under which the first priority is to cut social expenses, thus swelling the ranks of the destitute.

TRABAJADORES concludes that what we have today is nothing more than reaffirmation of the continuity of the principles of the project begun on 1 January 1959, and the defense of accomplishments possible only in a Revolution such as ours, a revolution by the poor for the poor.

Book on Investments, Business Ventures Published

PA2712044794 Havana PRENSA LATINA in Spanish 1724 GMT 26 Dec 94

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The book, with a broad spectrum of fully colored, graphic information, is an excellent compendium of updated information necessary to firms or institutions interested in knowing the possibilities of doing business or of investing in Cuba.

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We have to be optimists. We always have been optimists, even in the most difficult circumstances, because that is what corresponds to a revolutionary, a Communist. But it is a fighting optimism, not a passive one. We have to always think that things have to be created with our work because our vitality is what will allow the revolution to live forever.

Minister Points to Achievements in Education

PA2412043694 Havana PRENSA LATINA in Spanish 1704 GMT 23 Dec 94

[FBIS Translated Text] Havana, 23 Dec (PL)—The fundamental achievement of education in Cuba in 1994 was that it managed to keep all the schools functioning in the midst of difficult conditions, Education Minister Luis Ignacio Gomez has stated.

In closing the ceremony marking Teachers' Day in eastern Las Tunas Province, Gomez affirmed that the advances should continue to be consolidated to develop better learning conditions for students, the daily GRANMA reported today.

He also acknowledged the work by educators, who—he said—are advancing the current school term since no school has been closed and are providing better quality based on more advanced training and and intense methodology.

Luis Abreu, secretary general of the National Education, Science, and Sports Workers Union, also urged teachers to maintain and develop in 1995 one of the gratest gains of the work of the revolution in Cuba.

Education is included among the sectors of highest priority in 1995. To that effect, the National Assembly of the People's Government earmarked more money for this sector for next year.

Despite cuts in allocations to lower the budget deficit, the total amount for education rose by 4.4 percent compared to this year.

This development demonstrates the importance the government attaches to this endeavor, which President Fidel Castro considered one of most beautiful and cherished tasks of the people, and which has the widest recognition.

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The procurement of foreign investments to gain foreign exchange and efforts to make the country's economic sectors efficient are some of the priorities set by Fidel Castro's government to confront the "special period" endured by the island.

Up to now, investments have been mainly in the fields of tourism, hotels, raw material (nickel), oil prospects, telephone services, and, to a lesser degree, several industrial sectors.

Spain, Mexico, and Canada are the country's principal investors and, according to official reports revealed at the book's presentation, there are 173 mixed firms or associations operating in the island and several letters of intent have been signed with U.S. companies.

U.S. firms have been unable to trade with Cuba up to now because the U.S. blockade, which has been in effect for more than 30 years, restricts them from doing so. However, it was reported that there have been negotiations with approximately 90 U.S. firms recently.

Customs Office Announces Accounting System, Tariffs

FL2812000294 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 27 Dec 94

[From the "NTV" newscast]

[FBIS Translated Text] During the fifth meeting of the Cuban Customs office in Santiago de Cuba, it was announced that Customs' existing accounting system will be modified. With that objective in mind, modification of the current system's methods of revenue collection were discussed during the meeting. The revenue for next year will surpass 300 million pesos and will help finance activities that depend on the state's budget, such as health care and education. The new tariffs will be applied to clearances [despacho mercantil] and duty collections.

[Begin unidentified speaker recording] Charging a fee for this service, which is currently being done for free, means reimbursing the budget for these costs. [end recording]

Benito Ferreiro, head of Customs' economic section, added that through these modifications, the Cuban Customs Office's economic sections will have more responsibility for controlling material and financial resources.

Roundup of Politburo Members' Activities

FL1512030194

[FBIS Editorial Report] The following is a compilation of reports on the activities of members of the Politburo of the Cuban Communist Party Central Committee monitored through 23 December.

Jose Ramon Balaguer and Juan Almeida Bosque presided over a ceremony in which thousands of youths participated to commemorate the 38th anniversary of the Granma landing and the formation of the Revolutionary Armed Forces in Niquero Municipality, Granma, on 2 December. (Havana Radio Rebelde Network in Spanish 1800 GMT 2 Dec 94)

Nelson Torres toured Holguin Province and encouraged workers to help with the '94-'95 harvest. (Havana Radio Rebelde Network in Spanish 0000 GMT 2 Dec 94)

Nelson Torres praised the efforts of sugarcane workers in Holguin Province. (Havana Radio Rebelde Network in Spanish 1100 GMT 3 Dec 94)

Ulises Rosales Del Toro participated in ceremonies in Matanzas Province marking the 38th anniversary of the founding of the Revolutionary Armed Forces and the landing of the yacht Granma. (Havana Radio Rebelde Network in Spanish 0000 GMT 2 Dec 94)

Candido Palmero noted the schedule of events to mark Defense Day in Havana City on 4 December. (Havana Cuba Vision Network in Spanish 0100 GMT 2 Dec 94)

Carlos Lage and Esteban Lazo helped plan the Fifth Federation of University Students Congress, scheduled for March 1995. (Havana Radio Reloj Network in Spanish 2030 GMT 2 Dec 94)

Pedro Ross Leal will conclude his visit to the PRC on 3 December. He described the visit so far as constructive. (Havana Radio Rebelde Network in Spanish 1255 GMT 3 Dec 94)

Esteban Lazo, Candido Palmero chaired a promotion ceremony for Western Army Reserve officers in Havana on 4 December. (Havana Radio Rebelde Network in Spanish 1000 GMT 5 Dec 94)

Carlos Lage Davila praised the Youth Labor Army soldiers' efforts in renovating citrus crops on the Isle of Youth. (Havana Radio Progreso Network in Spanish 1200 GMT 6 Dec 94)

Carlos Lage Davila was present at the creation of a joint enterprise between the Sherritt Company of Canada and General Nickel of Cuba to mine, refine, and market nickel. Each company will own 50 percent of the stock of the joint enterprise which includes three corporations: Moa Nickel, S.A. for mining and processing operations in Moa Bay, the cobalt refinery in Saskatchewan, Canada, and the international cobalt company, ECCE, for sales and marketing. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 3 Dec 94)

In Havana Province, Candido Palmero stated that 461 caballerias of potatoes will be planted and that fertilizer and herbicides are guaranteed this year. Palmero stressed the importance of the Youth Labor Army in the forthcoming harvest. Palmero also stated that other miscellaneous crop harvests are expected to be good this year. (Havana Radio Rebelde Network in Spanish 1800 GMT 3 Dec 94)

In Guantanamo Province, Division General Ulises Rosales del TORO called for the improvement of communications between constituents, delegates, and presidents of People's Councils. During a meeting of People's Council's presidents, Rosales stated that what is needed are provincial governments, integrated with the people, ready to confront administrations, if needed, to guarantee production efficiency. Rosales added that in visits to the provinces he has noticed how some people are not aware of the developments being made in local and essential programs and that this means a lack of communication with the people. Rosales also highlighted the results of a recent inspection to the Revolutionary Armed Forces in the province. (Havana Radio Rebelde Network in Spanish 1000 GMT 7 Dec 94)

Juan Almeida Bosque sent a letter congratulating all members of the Cuban Revolution Veterans Association, who celebrate the association's first anniversary on 7 December. (Havana Radio Progreso Network in Spanish 1200 GMT 7 Dec 94)

Division General Ulises Rosales del Toro chaired, on 7 December, a ceremony observing the 98th anniversary of the fall in combat of General Antonio Maceo and the fatherland's martyrs at El Cacahual Mausoluem. Candido Palmero gave a closing speech where he stressed that the Revolution is everyone's duty. (Havana Radio Rebelde Network in Spanish 1800 GMT 7 Dec)

Juan Almeida Bosque and Esteban Lazo chaired a ceremony honoring Maceo's fall in combat and the fatherland's martyrs at the Colon Cementery in Havana. (Havana Radio Rebelde Network in Spanish 1800 GMT 7 Dec)

Ulises Rosales del Toro, Candido Palermo, and Esteban Lazo participated in the national ceremony marking the 98th anniversary of Antonio Maceo's death held at El Cacahual. (Havana Tele Rebelde and Cuba Vision Networks in Spanish at 0100 GMT 8 Dec 94)

Nelson Torres, minister of the sugar industry, said in Holguin that meeting goals and increasing productivity are the sugarcane sector workers' objectives in the 1994-95 harvest. (Havana Radio rebelde Network in Spanish 1800 GMT 8 Dec 94)

Julian Rizo, first secreterary of the Communist Party of Cuba in Camaguey, chaired the seventh PCC provincial plenum on 7 December. (Havana Radio Rebelde in Spanish 0000 GMT 8 Dec)

In Camaguey Province, after a debate on the Basic Cooperative Production Units, Julian Rizo stated that he feels optimistic about the results that can be obtained in 1995. (Havana Radio Progreso Network in Spanish 1200 GMT 8 Dec 94)

On 7 December in Matanzas, Yadira Garcia presided over the main ceremony honoring fallen Cuban soldiers, held at the San Carlos Cemetery. (Havana Radio Rebelde Network in Spanish 1000 GMT 8 Dec 94)

Nelson Torres headed the new Sugarcane Scientific Control Commission, on a routine visit to Granma Province. Torres also visited a sugarcane seed factory and praised efforts of the workers to produce quality seeds for the next planting season. (Havana Radio Rebelde Network in Spanish 1800 GMT 9 Dec 94)

Jose Ramon Machado Ventura visited Pinar del Rio Province where he was briefed on the sugar harvest efforts in that province. (Havana Radio Rebelde Network in Spanish 1800 GMT 9 Dec 94)

Esteban Lazo, Maria de los Angeles Garcia, and Abel Prieto participated in a meeting at the National Union of Cuban Writers and Artists [UNEAC] in Havana City on the importance of culture in society. (Havana Radio Rebelde Network in Spanish at 0000 GMT 10 Dec 94)

Ulises Rosales del Toro heads a team which will begin evaluating the Central Army's combat readiness. Rosales is joined by Division General Joaquin Quinta Solas, head of the Central Army. (Havana Radio Rebelde Network in Spanish at 0000 GMT 10 Dec 94)

Ulises Rosales Del Toro asserted that volunteer sugarcane cutters are a decisive force in the completion of the sugarcane harvest, and an essential element in reversing the current condition of the sugarcane industry. (Havana Radio Progreso Network in Spanish 1200 GMT 12 Dec 94)

Nelson Torres, sugar industry minister, has stated that the wealth of experience possessed by the industry's workers in their 50's can be a great help in training new workers joining the sector. (Havana Radio Progreso Network in Spanish 1200 GMT 12 Dec 94)

Ulises Rosales Del Toro participated in the banner award ceremony of the 58 brigades that will participate in the upcoming sugar harvest in San Cristobal. Rosales was accompanied by Maria del Carmen Concepcion, first secretary of the party in Pinar del Rio. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 12 Dec 94)

Alfredo Jordan and General Senen Casas Regueiro led a ministerial commission that visited Santiago de Cuba to review plans for the winter planting campaign and the construction of low-cost housing. (Havana Radio Rebelde Network in Spanish 1255 GMT 9 Dec 94)

In Camaguey, Julian Rizo and Luis Ignacio Gomez, education minister, took part in the last meeting of the People's Government Provincial Assembly held in 1994. Rizo stated that the issues would be resolved with intelligence, creativity, and the people's support. (Havana Radio Reloj Network in Spanish 1510 GMT 13 Dec 94)

Esteban Lazo has headed a control commission visiting La Lisa Municipality, in Havana City Province. The commission wants to witness firsthand how problems are dealt with in that municipality. (Havana Radio Rebelde Network in Spanish 1000 GMT 14 Dec 94)

In Matanzas Province, Ricardo Alarcon and Yadira Garcia participated in the inauguration of a basic cooperative production unit in the Pueblo Nuevo neighborhood which will be dedicated to harvesting in an organic orchard. The orchard should produce 500 quintales of vegetables. (Havana Radio Rebelde Network in Spanish 1000 GMT 14 Dec 94)

Candido Palmero has visited several Havana Province municipalities to discuss cattle raising results. Palmero pointed out deficiencies in breeding, feeding, and other areas. Palmero also said that the current milk production—at approximately five liters of milk per cow—is insufficient. (Havana Radio Reloj Network in Spanish 1530 GMT 15 Dec 94)

Candido Palmero has praised the discipline and productivity of workers in Havana Province in support of the food supply program, distinguishing the efforts of the Union of Young Communists. Palmero toured Nueva Paz, Guines, and Melena del Sur Municipalities and reviewed the winter planting campaign. (Havana Radio Rebelde Network in Spanish 0000 GMT 15 Dec 94)

Pedro Ross Leal has participated in a meeting of the National Committee of the Communications Workers Union in Havana City. Ross introduced Ernesto Freide Cazanas, the union's new secretary general. (Havana Radio Rebelde Network in Spanish 1255 GMT 16 Dec 94)

Jose Ramon Balaguer has participated in the Federation of Cuban Women's provincial congress in Granma, which focused on food and sugar production problems. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 16 Dec 94)

Maria De Los Angeles Garcia and an ANPP commission have met outstanding national vanguard teachers. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 20 Dec 94)

Nelson Torres has met 21 directors of Matanzas mills. It has been reported that 33 mills in 11 Cuban provinces were operational on 20 December. Only Pinar del Rio and Guantanamo have not yet begun the sugarcane harvest. (Havana Radio Rebelde Network in Spanish 1800 GMT 21 Dec 94)

Correction to Panamanian Minister Cited on Rafters

PA1912133494

The following correction pertains to the item headlined "Panamanian Minister Cited on Rafters at U.S. Camps" published in the 19 December Latin America DAILY REPORT, page 6: Column one, make only sentence make read ...Panamanian Foreign Minister Lewis Galindo has... (correcting name)

Inter-Caribbean Affairs

UN Approves Cooperation Plan with Caricom

FL2312163194 Bridgetown CANA in English 1534 GMT 23 Dec 94

[FBIS Transcribed Text] Georgetown, Guyana, Dec. 23, CANA—The United Nation General Assembly has approved a proposal linking the New York-based organisation with the Caribbean Community (Caricom) Secretariat here. The resolution entitled "co-operation between the United Nations and the Caribbean Community" mandates the UN secretariats to promote and expand co-operation and co-ordination between the two organisations.

Caricom Secretary General Dr. Edwin Carrington told journalists here that the initiative has now established Caricom as an organ which will work in co-operation with UN agencies. "Over 60 countries joined in co-sponsoring the initiative which has now established Caricom as an organ for co-operation with the United Nation Secretariat in pursuit of the work of the United Nations and the international community at large," he said.

Carrington described this new development as one of the important initiatives as the UN prepares to celebrate its 50th anniversary. "We are extremely proud and very happy that our ambassadors in New York have been able, under the direction of our minister, to win this particular prestigious position for the Community, and we would like the entire Community to be aware of it," he said. According to Carrington, the initiative would mean a closer relationship with the United Nations in working programmes and projects.

The community had in the past worked with the UN in such areas as poverty alleviation, job creation, human resources development, trade and economic diversification, the empowerment of women in the economic and legal fields, health, sustainable development of small island developing states and the promotion of democracy and human rights in Haiti.

Caricom, established in July 1973, was granted observer status in the UN General Assembly in 1991.

Caricom Chief Opposes Plutonium Shipments

FL2512204994 Bridgetown CANA in English 0913 GMT 24 Dec 94

[From the "Broadcast News Summary"; no dateline as received]

[FBIS Transcribed Text] The Caribbean Community [Caricom] has restated its firm opposition to the use of the Caribbean Sea for the shipment of plutonium waste. In a statement, Caricom chairman, Barbados Prime Minister Owen Arthur, made clear the region wanted to be a nuclear-free zone. The statement was in response to plans for the shipment of plutonium from France to Japan via the Caribbean Sea in February.

Bahamas

More Illegal Haitian Immigrants Found

FL2712190394 Nassau Bahamas Radio Network in English 1800 GMT 27 Dec 94

[FBIS Transcribed Text] Reports reaching the ZNS newsroom say more Haitians were reportedly discovered in bushes on the island of Inagua over the holiday weekend. This latest group brings the grand total of illegal Haitians on Inagua to 777. The first group of 617 were discovered on Friday [23 December] evening in the waters surrounding the southern island. The Haitians are now being held in Tent City at the Inagua airport. A team led by the United States Coast Guard and other local officials are reportedly searching for more Haitians. Relief (?efforts) for the Haitians are coming in. U.S. Coast Guard officers were expected to leave the capital around 1115 this morning with supplies of food and clothing.

Haiti

Three Wounded in Demonstration by Soldiers 26 Dec

FL2712165894 Bridgetown CANA in English 2256 GMT 26 Dec 94

[From the "Broadcast News Summary"; no dateline as received]

[FBIS Transcribed Text] At least three people were wounded outside Haitian military headquarters Monday during a demonstration by Haitian soldiers protesting a plan to scale down the army.

U.S. military police captain Randy Durian said one Haitian uniformed soldier and two Haitian civilians were wounded and over 10 Haitian soldiers were detained.

The violence was the worst in the Haitian capital since American troops restored ousted President Jean-Bertrand Aristide in October.

One witness, Patrick Ajenor, said the unrest started when two of the protesting soldiers slapped Army Chief of Staff General Mondesir Beaubrun outside the military headquarters.

That account could not immediately be confirmed.

Under the U.S.-backed deal which restored Aristide to power, the army, blamed for many of the killings and other human rights abuses during three years of military rule, will be restructured and reduced sharply.

Conflicting Casualty Reports Cited

FL2712233394 Port-au-Prince Signal FM Radio in French 1130 GMT 27 Dec 94

[FBIS Translated Excerpt] On 26 December, there was a violent incident in which three Haitian soldiers were shot in front of Army General Headquarters when soldiers came to demand their pay. According to Major Regina Largent, a U.S. military spokesman, the soldiers were under control. Maj. Lapaix [not further identified] confirmed to Signal FM that three former Haitian Army members were wounded, including one who was shot in the back, and were evacuated by helicopter to a hospital of the multinational force. The two less severely wounded are under the care of U.S. military doctors, according to the spokesman we interviewed on the spot.

But by the evening of the 26th, the final toll of the incident, provoked on 26 December in Port-au-Prince by former Haitian military members, became the subject of contradictory information. The military hospital reported two dead and one wounded while a U.S. spokesman mentioned five wounded, including one seriously. According to the duty sergeant of the Haitian military hospital in Port-au-Prince, two demobilized military, including Sergeant Pierre Jean Ovide and Private Adrien Cilionor, who were in a garrison in the capital, died of gunshot wounds after being admitted to this hospital. An officer of unknown rank was wounded in the arm, according to this same source.

A spokesman for the multinational force later pointed out that five former Haitian military were injured, including one with a serious back wound. The latter was taken to the military hospital of the Democracy Camp in Port-au-Prince and was still alive in the evening, according to this U.S. source. Two wounded were looked after by U.S. military doctors and two others who were more slightly wounded were taken to the civilian Port-au-Prince General Hospital.

Gunfire had broken out on 26 December while demobilized military, following a reduction in strength of the Haitian Army, came to demand their December pay and the refund of their pension fund contributions at Army headquarters. The first gunshots were fired from inside Army headquarters by a military official, while armed former soldiers worked their way into the building where General Poisson, commander of the Army, resided, according to an informed source. [passage omitted]

Aristide Urges Reconciliation Following Disturbance

FL2712221694 Port-au-Prince Signal FM Radio in French 1130 GMT 27 Dec 94

[FBIS Translated Excerpt] On 26 December, Haitian President Jean-Bertrand Aristide called on those with weapons to stop and think and to lay down their arms. He addressed them in a message in Creole, broadcast after the incident which injured and killed members of the former Haitian military when they came to demand their pay at Army Headquarters. Killing does not bring peace to the country, stated President Aristide, invoking a spirit of dialogue and reconciliation, and inviting those with weapons and those without to remain calm so that everyone can move together hand in hand.

[Begin Aristide recording, in Creole, in progress] ...to silence the weapons so peace can continue in the country. In a spirit of dialogue and reconciliation, I invite all those who have weapons to remain calm and those who do not have weapons to do the same so we can move together hand in hand, in reconciliation, justice, respect, and peace. [end recording]

Michel, Rey Assess Government Achievements

FL2712213194 Port-au-Prince Signal FM Radio in French 1800 GMT 27 Dec 94

[FBIS Translated Excerpt] Prime Minister Smarck Michel presented an assessment of his government on 26 December in Villa d'Accueil, a few days before the budget law for fiscal year 1994 to 1995 is submitted to the Parliament. Michel cited what he considers positive manifestations, and which he believes reflect the seriousness of his government. Among the manifestations, he included the establishment of the Provisional Electoral Council, the interim police, the police academy, the grants for victims of Tropical Storm Gordon, and the installation of new judges at the Court of Cassation.

Finance Minister Marie-Michele Rey pointed out that the government made a tremendous effort to bring a stable macroeconomic environment, which whill enhance growth, to the private sector. The finance minister announced that efforts have been made to reduce the deficit and that a surplus of 21 million [currency not specified] was realized over the past month. This surplus allowed the government to pay salaries as of 12 December. [passage omitted]

EZLN Accepts Government Secretariat's Role in Talks

PA2812050094 Mexico City NOTIMEX in Spanish 0427 GMT 28 Dec 94

[FBIS Translated Text] San Cristobal de las Casas, 27 Dec (NOTIMEX)—The Zapatist National Liberation Army [EZLN], which is operating in Chiapas, today accepted that the Government Secretariat will represent the government in that state's reconciliation efforts. In a communique issued in this city of southeastern Chiapas State, the armed group, which is representing the demands of Indians, affirmed that it will take into consideration the proposals announced through the National Mediation Commission, chaired by Bishop Samuel Ruiz.

EZLN Welcomes Government's Acceptance of Mediation

PA2812051994 Mexico City XEW Television Network in Spanish 0430 GMT 28 Dec 94

[Report on communique issued by the Zapatist National Liberation Army in San Cristobal de las Casas on 27 December; from the "24 Hours" newscast]

[FBIS Translated Text] The Zapatist National Liberation Army [EZLN] has given its response to the Mexican Government's peace proposal. This Tuesday evening in San Cristobal de las Casas, the EZLN issued a communique, pointing out two specific issues:

1. The EZLN welcomes the government's decision to accept the National Mediation Commission [Conai] as the mediator between the two conflicting parties. They also reaffirm their own recognition of the Conai as mediator.

2. The EZLN recognizes the Government Secretariat as the representative of the federal executive branch. They inform the Secretariat that any communication directed at the EZLN should be delivered through the Conai.

These are the two main points of the EZLN communique, which is, in fact, quite brief.

President Orders Troop Withdrawal After EZLN Message

PA2812052794 Mexico City XEW Television Network in Spanish 0430 GMT 28 Dec 94

["Press release" issued by the Government Secretariat on 27 December in Mexico City, read by announcer Jacobo Zabludovsky; from the "24 Hours" newscast]

[FBIS Translated Text] The president instructed the National Defense Secretariat to withdraw its troops and end its operations in San Quintin and Monte Libano, where the National Defense Secretariat had established a presence to favor the climate of detente in Chiapas State. This decision is another sign of President Zedillo's willingness to find paths to build a just and lasting peace and is in line with the encouraging signs that stem from a message from the EZLN [Zapatist Army of National Liberation] acknowledging the appointment of the Government Secretariat as an interlocutor of the executive branch to handle the conflict and the National Mediation Commission as the mediator between the parties.

Defense Secretariat Press Release on Deployments

PA2812140394 Mexico City XEW Television Network in Spanish 0430 GMT 28 Dec 94

["Text" of Defense Secretariat Press Release No. 43 issued on 27 December; from the "24 Hours" newscast]

[FBIS Translated Text] The National Defense Secretariat informs the public that the activities of the Mexican Army in Chiapas State are in keeping with its constitutional mandate and come in response to the unilateral breach of the truce and cease-fire announced by the EZLN [Zapatist National Liberation Army] on 8 December, which preceded the actions the EZLN carried out in certain areas of the state on 19 December.

Given these facts, the Mexican Government's position is unwavering: There is a steadfast will to uphold peace and the decision that the Mexican Army will maintain its unilateral cease- fire. The deployments by the Army are a civil defense strategy designed to safeguard roads in response to the fact that suspected EZLN members have hindered access to certain towns and have attempted to seize areas in which the majority of the residents are not sympathetic toward the EZLN.

There also have been reports about the recent deployments of troops and equipment in Chiapas State. These deployments come in response to the need to reestablish full surveillance over the 658 km of international borders along which our country has fixed military installations in Puerto Madero, Ciudad Hidalgo, Union Juarez, Motozintla, El Jocote, Las Delicias, Amparo Agua Tinta, Flor de Cafe, Ixcan, Chajul, Flor de Cacao, Boca Lacantun, and Frontera Corozal.

Furthermore, the Mexican Army is maintaining a presence in the communities of San Quintin and Monte Libano for the following reasons:

1. San Quintin Chiapas: to recover control of an important ecological reserve located in the heart of the region known as the Blue Mountains—an integral part of the biosphere reserve that is rich in energy sources. Additionally, it is located 32 km from the border, where actions that disrupted the tranquillity of the local residents were sporadically being carried out.

2. Monte Libano: because this community is the hub of communication links to and from the Lacandona Jungle and is located in the vicinity of Naja, the largest Lacandona settlement, the presence of troops in this area will

guarantee the free transit of people and goods without being subjected to paying tolls.

It is important to point out that the local residents of both San Quintin and Monte Libano have asked the Army to remain there permanently and to conduct social work, as well as to restore both private and official medical care, which have been interrupted since the beginning of the year.

In a similar fashion, joint patrols with personnel from the public security forces have continued in the municipalities of Simojovel, Sabanilla, Tila, Venustiano Carranza, and San Andres Larrainzar, and personnel assigned to the 31st Military Zone are continuing to conduct patrols along Federal Highway 190, the San Cristobal de las Casas-Comitan highway, and the San Cristobal de las Casas-Larrainzar state highway.

It also is worth noting that the Army's presence was requested by local authorities and that the patrols are being conducted within the framework of the law and with all due respect for human rights. Military personnel have been instructed to avoid any risk of a clash, to act with extreme prudence, and to avoid confrontation.

The Mexican Army has clear instructions to uphold the unilateral cease-fire.

EZLN Said To Control 40 Airstrips in Chiapas

PA2712193494 Mexico City NOTIMEX in Spanish 1808 GMT 27 Dec 94

[FBIS Translated Excerpt] Tuxtla Gutierrez, 26 Dec [date as received] (NOTIMEX)—It was reported here today that the Zapatist National Liberation Army (EZLN), which operates in southern Mexico, has seized control of 40 airstrips in the mountain and jungle areas of Comitan, Chiapas.

Captain Luis Gomez, of the San Cristobal Air Service Company, reported that approximately 50-60 EZLN members armed with heavy caliber weapons are surrounding each of the occupied airstrips. According to Gomez, the EZLN has been in control of the airstrips for the past eight days and is warning authorities not to use them "or be ready to face the consequences."

Up until a few days ago, small Cessna aircraft (for which these airstrips were built) landed normally in the conflict zone. "Our cargo was checked and we continued our work," Gomez explained. But now, according to Gomez, the Zapatists have dug trenches that are one meter wide and two meters deep across the landing strips. The airstrips are frequently used by government personnel and residents of the region to travel outside the area and obtain supplies.

The source indicated that only one airstrip, which is located in Guadalupe Tepeyac, can now be used following authorization from EZLN military leader Subcommander Marcos.

"Guadalupe Tepeyac is one of the most important locations because one of the region's largest hospitals is located there. Many people also go there because the highway that leads to other airstrips passes through Guadalupe Tepeyac," the pilot added. [passage omitted]

Army Reinforces Positions Near Guatemalan Border

PA2712153394 Mexico City XEW Television Network in Spanish 0430 GMT 27 Dec 94

[Report by Juan Sebastian Solis; from the "24 Hours" newscast]

[FBIS Translated Text] Today, 85 miles from the Mexican-Guatemalan border, near Comitan, the Mexican Army established a new checkpoint.

Working in coordination with Federal Judicial Police and Chiapas Public Security units, the Mexican Army reinforced its positions with trucks and light-armored vehicles near the privately owned Miguel Aleman airstrip, which is located 2 km from Comitan de Dominguez, along the main access road between Mexico and Guatemala. From here two roads branch off toward Tuxtla Gutierrez, the capital of Chiapas.

Federal police units put up signs along the Pan-American Highway announcing the presence of the new checkpoint as soldiers took up positions around the airstrip. Joaquin Robles, the Public Ministry representative in charge of the operation, discussed the new checkpoint in an interview.

[Begin Robles recording] This presence is only intended to guarantee the people's security. [end recording]

Robles went on to explain the Public Ministry's presence in the area.

[Begin Robles Recording] This is to ensure that the law is upheld and to prevent random acts of violence from being committed against the population. [end recording]

At the Miguel Aleman airstrip, pilot Luis Gomez, who makes private flights into the jungle, said that for the past eight days no light planes have been able to land on 45 of the 50 airstrips in the jungle, including the main airstrip in Guadalupe de Tepeyac. He explained the reasons why.

[Begin recording] [Solis] Are the airstrips damaged?

[Gomez] Nearly all of them. Trenches have been dug across them. [end recording]

These airstrips are used by Indians who can only introduce their goods into these regions by plane because of the absence of reliable roads. The Guadalupe de Tepeyac airstrip is in the middle of the other airstrips, which are spread out across the various outlying Indian communities in the shape of a fan.

Robledo To Resign If EZLN Lays Down Weapons

PA2812035094 Mexico City Canal 13 Television Azteca Network in Spanish 1300 GMT 27 Dec 94

[Report by Jaime Guerrero in Tuxtla Gutierrez, Chiapas; from the "Early Morning" newscast]

[FBIS Translated Text] Members of the Democratic National Convention [CND] arrived at the doors of the Government Palace in Chiapas and immediately began a hunger strike. Surrounded by a cordon of the state's Women's Police Force, the demands for Governor Robledo's resignation and for the solution of the post-electoral problems in Tabasco and Veracruz were heard again.

Not far from there, another group made up of displaced peasants concluded its third day of a hunger strike. They want the EZLN [Zapatist National Liberation Army] to return their lands and the National Indian Institute to pay the compensation it promised them.

Aside from the political problem, Chiapas is also facing the problem of crime.

[Begin Chiapas State Prosecutor Jorge Hernandez Aguilar recording] The people are begining to lose their patience. [end recording]

At the State Prosecutor's Office, Hernandez Aguilar was putting his documents in order, but order and peace in Chiapas, Aguilar said, depends on the willingness of the EZLN, a willingness that is not yet apparent.

Governor Robledo has said he will resign if the EZLN lays down its weapons. For peace—everything, he said. He acknowledged that uncertainty must not continue in Chiapas.

Meanwhile, police and military forces have begun an important operation throughout the state.

[Begin Hernandez recording] We have been very fortunate in the operations carried out along the coasts, the mountains, the border areas, and the Chol zone. Barricades set up on federal and local highways last week have been dismantled. I think we are making progress. [end recording]

State authorities describe the situation in Chiapas as relatively calm. Meanwhile, the army continues to guard certain towns that came to national attention last week. The state government explained that these were measure taken to guarantee public security and rejected the idea that a militarization is taking place in Chiapas. Some think otherwise.

CND To Monitor Militarized Areas in Chiapas

PA2712174694 Mexico City Canal 13 Television Azteca Network in Spanish 1300 GMT 27 Dec 94

[Report by Gerardo Seguras; from the "Early Morning" newscast]

[FBIS Translated Text] As expected, Cuauhtemoc Cardenas yesterday met with Conai [National Mediation Commission] members in San Cristobal de las Casas, Chiapas, and said the reestablishment of a cease-fire is necessary because today, more than ever, security is an essential condition for peace.

[Begin Cuauhtemoc Cardenas recording] Today we held the meeting we requested four or five days ago. The purpose of this meeting was to determine whether we could advance the recognition of Conai as mediator. Fortunately, within the past few days the government accepted Conai as mediator. As you know, the Zapatist National Liberation Army [EZLN] already had done so. [end recording]

After a long waiting period, Cuauhtemoc Cardenas appeared in San Cristobal de las Casas to speak about his meeting with Conai representatives.

[Begin Cardenas recording] We have come here, because in recent days—specifically, within the past five or six days—we have observed reports from the various media you represent which indicated that the level of militarization was increasing in Chiapas. Not only has the presence of military units increased in the zones we could call contact or possible contact zones between the EZLN and the Mexican Army, but we also noticed that the military presence increased in other parts of the state as well. [end recording]

Cuauhtemoc Cardenas said it is imperative and urgent that the cease-fire be reestablished. Cardenas says that now, more than ever, security is prerequisite for peace in the state.

Meanwhile, representatives of the Democratic National Convention [CND] agreed to form groups to monitor activities in the high-risk military zones in the state.

[Begin CND Senator Rosario Ibarra recording] Members of the CND, including some deputies and senators, such as Senator Hector Sanchez, have agreed that CND delegations will visit the zones in which there is the greatest presence of the national Army, because, as Cuauhtemoc Cardenas said very clearly yesterday, there is concern that there could be additional advances or that there could be a confrontation, given the proximity and edginess of the two forces. [end recording]

Following this, there was another CND announcement—this one regarding humanitarian aid.

[Begin CND Senator Hector Sanchez recording] Within a few hours, a humanitarian aid convoy carrying toys, medicine, and food will arrive here. This convoy departed Mexico City yesterday. Our goal is to assist our comrades in this caravan by ensuring that these donations are not only distributed in Tuxtla Gutierrez or here in San Cristobal de Las Casas, but that they also go directly to those zones in which there are troop movements. [end recording]

The paths toward peace are coming together in San Cristobal de las Casas. Hope is also growing in light of the contributions the legislative peace commission is making toward the peace effort in the state of Chiapas.

Clandestine Committee Commander Interviewed

PA2412191494 Mexico City LA JORNADA in Spanish 22 Dec 94 p A-12

[Report on an interview with Commander Javier, of Mexico's Clandestine Indian Revolutionary Committee-General Command, by Jose Gil Olmos and Hermann Bellinghausen in Los Altos on 21 December—quotation marks as published]

[FBIS Translated Text] Los Altos de Chiapas, 21 December—Commander Javier, a member of the CCRI-CG [Clandestine Indian Revolutionary Committee-General Command] in the Los Altos region, vehemently stated: "It is no idle threat, nor do we pretend to be threatening. We are everywhere, even in other municipalities. In other words, there are many of us." He also said regarding his first appearance on 19 December, as well as his unexpected disappearance from all roads and highways: "We have not retreated but, rather, are simply waiting, right here on the sidelines."

Interviewed in a forest "somewhere in Los Altos," dressed in the traditional Zapatist uniform (black trousers, brown shirt, and ski mask), Commander Javier proceeded to issue a message to the federal government: "Recognize us as an organized people; respect the new rebel municipalities; take the needs of the Indians into account; acknowledge the authority of the 30 rebel municipalities; Eduardo Robledo should resign; and recognize the transition government of Amado Avendano Figueroa and the need for justice, liberty, and democracy."

On dry leaves left over from autumn, which are already rotting due to the humidity enveloping the ground and trees, surrounded by five militia bodyguards and a young insurgent captain not yet "authorized to give his name," Commander Javier proceeded to speak to three national media representatives about the new status of the Chiapas conflict.

Categorical in his proposals, the clandestine leader said the break in the cease-fire did not come from the EZLN [Zapatist National Liberation Army] but, rather, from the government's imposition of Eduardo Robledo on 8 November.

Javier said, "We want peace but with dignity." We are not going to allow them to interfere with the people. We kept our word, and the government failed to do likewise." He calls for in addition the Mexican Army's retreat from Simojovel: "They are in our territory, and there is no need for them to be there."

The CCRI-CG finally accepted after two days of silence to be interviewed by the media. Commander Javier, who is somewhere between 30 and 40 years old, said he has been involved in the organization for nearly 10 years. The commander, who is a Tzotzil and originally from Los Altos, has kept mostly to the jungle. "I was entrusted with organizing the communities and explaining everything that was taking place. I was head of the committee on 1 January."

In clear Castilian Spanish, but sweetened by a Mayan accent, the commander's words flow easily:

"Nothing much has happened in these towns since 1 January. There has been much pressure from the government, pressure in trying to persuade the people with crumbs just to save face. They are unaware these people are Zapatists. The government continues to make empty promises each time the people become angrier and declare war.

"The communities started searching for us and asking for information following the San Cristobal Declaration and told us what they were demanding. We then explained the situation, and the causes of what was taking place. The communities themselves have persuaded us to move more swiftly. It is not that we went to the communities but, rather, that the people came to us.

"We were able to grow a great deal in those regions where there was no military siege. That is how we advanced. That is why now, as dissatisfaction is greater, we are being called by more communities. Zapatist troops are moving to prompt the government into giving concrete answers. If the same thing as before is going to take place, whatever we do will be much more energetic.

"Both our support bases as well as the Zapatist army grew. The situation is not as when we went to take over San Cristobal and returned. They said at the time 'that army is through, they are few, just a small group, simply peasants with few weapons who are attempting to control.' That statement is inaccurate, because we are quite close to other municipalities as of now. The soldiers are entering Simojovel and Bochil now, but we already have those places under control. If the government tries to move in further by force, well, they alone will be responsible for whatever takes place.

Commander Javier's face, or what can be seen of it, seems familiar, because he participated in the dialogues at San Cristobal de Las Casas in February and March of this year. This interview is the first granted by the Zapatist leadership after the 10-day mobilization that ended on 19 December.

"Above anything else, I want to speak about our presence here in Los Altos and in many other municipalities. We were Zapatists even before. It is just that we had not shown our force here.

"We belong to the same organization and were preparing since before 1 January 1994. We are preparing ourselves to find a solution at the state and national levels. What the government has stated, that we are concentrated in a few municipalities surrounded by the jungle, is untrue. We are many in Chiapas and in other states.

"We want to reexplain the reasons and objectives of this movement. The war began when we seized San Cristobal. We were from several municipalities but withdrew to the jungle, where we remained for some time to see the government's response to the demands we made."

The interview took place approximately 30 km from San Cristobal and approximately 20 km from a Mexican Army roadblock, which was reinstalled this afternoon in La Ventana at the crossroads between Zinacantan and Chamula.

"We complied as we kept the cease-fire. We resisted along with civilians, who did a great deal to determine whether they could move forward by following political paths. We are aware of waiting [sentence as published]. We complied. We also complied when we held the first National Democratic Convention. People complied as they waited. They accepted the possibility of casting their votes for a candidate from civilian society. Most people from the many municipalities of Los Altos voted for a candidate from civilian society, Amado Avendano. As we all know, he belongs to the PRD [Party of the Democratic Revolution]. Not all of us belong to the PRD; we merely took advantage of the possibility of having a candidate. That reason is why the towns controlled by the EZLN voted.

"We later realized there were no possibilities as they refused to recognize as governor the person who garnered more votes in all towns and as Eduardo Robledo took office by force. We can see he is not the people's candidate, because had he truly represented the people's government, he would not have had to resort to the military.

"We were there in the jungle, but this part of the rebels mobilized, because they tried to break the cease-fire. The towns of Los Altos asked us to act. We mobilized to all our municipalities to exert pressure and to see how the government would react."

"We executed the movement on 19 December to prompt the government into making up its mind on recognizing our peaceful position or not. We are not attacking garrisons. We are just going where the people have asked us to go. We have a number of documents describing what they want, and they are impatient. Nevertheless, we have declared more municipalities and have announced new authorities. These municipalities are now governed by their own laws and in accordance with their own traditions and culture, as each and every one of them has historically had."

He insisted on the new demarcation: "Where roadblocks have been erected is already Zapatist territory although we have fallen back somewhat. Those who remove street-wide signs and roadblocks belong to the PRI [Institutional Revolutionary Party] and still cannot understand, because they trust the government."

Asked about his relations with these groups, Commander Javier answered: "We are still trying to persuade them. We have tried to explain the situation to them, but they still do not understand, because they are confused and still believe that there is a solution to their problems and that this solution can come from the state. Some of them regard themselves as PRI members, but most are like us. They do not have food, homes, or land. We will not do anything to them. We are trying to guide them. We are not preparing to attack the poor or the peasants. We are aware we are the majority where we are."

About the Mexican Army's penetration into territory claimed by the EZLN, Commander Javier said: "We are prepared if they try to use force, if they begin attacking us or harassing the people." He laughed softly, with the confidence of someone who knows about what he is talking: "It is all right if they attack us, but the people have asked us not to allow the Army to enter the people's territories, because the people have the right to assume authority and put in new authorities. We will see what happens if they fail to respect us, if they close the way again. What need do the soldiers have to enter the villages again? Is this what the towns and villages want? The towns and villages are demanding justice, democracy, freedom, the things every town needs to live every day. They are not asking for the Army to come and scare them."

The tone of his voice rose. He became excited. He rhythmically gestured with his hands, trying to underline what he said: "We will wait and see what will happen in Simojovel. Let it remain clear, however, the federal soldiers are not aware and do not understand they are in territory we control. We want this point to be known, because there is danger they could clash with our forces. Please write so this can be understood. This is not an idle threat. We are not pretending we are where we are. We are in other municipalities, everywhere. We are many people."

Regarding the reported presence of Zapatists in Tabasco State, he said: "Well, yes, they are Zapatists. Our numbers cannot even be counted. Zapatists will show up anywhere. If their demands are not met, they will demonstrate their strength in other states. It can be seen the problems and needs of villages occur throughout the country. Our 12 points are a need. We are not making war; it is the government that is violating our rights. As a result, the war will never end. How do they think there is going to be peace in these municipalities, where people are in an even more serious situation? I know. What is there here? Where can people go to work? There is no land here. Even bare hills are insufficient. Where can they get firewood? Is there any good land to till? There is no hope for things to calm down in the present situation. The government is offering peace. What kind of peace? President Zedillo has asked us to talk, but just like that, unconditionally. It is difficult. There will be no justice if the people's will is not taken into consideration. Robledo Rincon himself broke the truce by assuming office by force."

[LA JORNADA] Is a truce possible?

[Javier] Yes, it is possible to sit down for a new dialogue but under the Zapatists' terms. We want fulfillment, not only words, as was done in San Cristobal de las Casas the first time. Come what may, we will not back down from the territory we have gained. We are determined to resist if the federal Army enters by force. We already made a move. We will now wait and see if they attack us, if they permit us to take more municipalities. Anyway, the new authorities will govern. Municipalities will be militarily occupied if things become tense. The municipalities will not be occupied if things are not tense. We have not pulled back. We just stepped aside a little. We are speaking of a peaceful solution, but we are prepared for the defense. We have not attacked. The struggle is still peaceful, but here we are."

There is good humor in Commander Javier. He spoke lightly of the most serious things. "We speak not of war but of peaceful solutions. Yet we are not afraid to die. This reason is why we are here. We will die for the people's dignity if necessary, not out of cowardice. There will be other people who will continue the work.

Other times, other circumstances, but everything boils down to the same thing.

Column Questions Government's Patience in Chiapas

PA2312044494 Mexico City EL FINANCIERO in Spanish 21 Dec 94 p 30

[Column by Javier Ibarrola: "Armed Forces, Information Crisis"—passages in italics as published]

[FBIS Translated Text] The latest developments in Chiapas have shown the twofold information crisis that exists in the Mexican Army. The first and most serious aspect of this crisis became evident when the Zapatist National Liberation Army [EZLN] "broke through the military cordon" and "peacefully" seized 38 municipalities without the knowledge of the Mexican Army's information and intelligence service.

Since 1 January, when the rebel group rose up and went on to even attack a military garrison, everybody thought the Army had been taken by surprise, hard as it was to believe. For at least the past 10 years, Chiapas has been the state with the highest-ranking and best officers in the zone. The top military command was always aware that a rebel movement was being forged in Chiapas and informed the federal government about it in a timely fashion.

How can an Army that knew what was happening in the region be taken by surprise? Was it that someone did not pay attention to the reports? Was it that civilians did not believe the military? Regardless of the reason, the conflict erupted and the Army bore the blame. From that moment onward, the National Defense Secretariat [Sedena] merely issued succinct military bulletins on the developments.

Here is where the second phase of the information crisis, which is represented by the lack of an autonomous response to the news media, begins. Under the government of Carlos Salinas de Gortari, and especially during his last year, the top military command constantly complained about the nonexistence of a news media policy. As long as we lack autonomy and an adequate policy toward the news media, the Army will always bear the discredit, then Defense Secretary General Antonio Riviello Bazan told this columnist.

Military information on the armed conflict, which never responded to a clear news policy, was managed from the Presidency, overlooking the military command and their intelligence divisions. The latest developments in Chiapas and the boasts by *Subcommander* Marcos have shown once again that the Mexican Army in Chiapas has no real military problem in defeating the EZLN forces in the field, but it does have one in the news media, where it is losing the "paper war."

This information crisis is placing the Army in a most uneasy position before the public, something that has already been seen in the latest press bulletin issued Monday night, after having been dragged through a long chain of approval. We notice "unease" in that bulletin when one of its paragraphs states that "the remarks by a self-proclaimed *Subcommander* Marcos have aggravated the situation."

In this field, the field of communiques, the Army is losing ground, because it is facing an enemy "specialized" in handling the news media. After affirming in its communique that it will continue its unilateral cease-fire and that the troops stationed in Chiapas hold the same positions they took on 12 January, Sedena reiterated that "with a full awareness of its great responsibility, the Mexican Army and Air Force will contribute to a peaceful solution to the conflict."

The information crisis serves to confirm what I had already stated in this column: The conflict in Chiapas is not military but political. And it is here, on political terrain, that the Mexican Army is losing. Once again we would have to ask whether civilians do not trust the military. It has always been said that the Armed Forces of the country constitute a guarantee for national institutions and social peace. But reading about the developments is undermining that belief. If the Armed Forces remain in the positions held since 12 January, the EZLN cannot say that it broke through the military cordon without making the Mexican Army look like a passive and slumbering group.

Subcommander Marcos asserted he is mobilizing 15,000 men. The Mexican Army does not see them? It appears this way, at least in the realm of mass communications. This is highly risky because the Army may once again become the target of criticism and once again shoulder the blame; in other words, it may again pay for the mistakes of civilians. What is worse, the information crisis does not just affect the Armed Forces but all of society. The Chiapas conflict has eroded the economic and financial structures of the Mexican state, and this is unacceptable.

It is unacceptable because the idea is no longer to explain the reasons for the history of backwardness in Chiapas and in an untold number of other places in the country. The idea is to come promptly and firmly to return to the Mexican people their lost tranquillity. If the economy and finances react as they did yesterday, it is not because of the things that Marcos does, but because of those things that the government does.

By this time, the government must be convinced that a group in Chiapas is bent on breaking the law and preventing what President Ernesto Zedillo seeks to do: turn Mexico into a country of laws. Patience remains the government's decision. Patience. For how long? For how long?

Legislators Form Group Promoting Democratic Change

PA2512155694 Mexico City EL FINANCIERO in Spanish 23 Dec 94 p 40

[Report by Javier Rodriguez Gomez]

[FBIS Translated Text] In view of the serious crisis the country is experiencing, legislators from the PRI [Institutional Revolutionary Party], PAN [National Action Party], and the PRD [Party of the Democratic Revolution] have decided to form a political group "to convince the many national institutions of the relevance and inexorability of a democratic change."

In the case of the PRI, the affiliation of more than 30 legislators from this party becomes relevant, because ignoring the ironclad political control the dinosaurs of the Chamber of Deputies, headed by Humberto Roque Villanueva, have tried to impose to discourage them is implicit.

The group is proposing a new, national political pact that will translate into new forms of communications and balance among political parties, the government, the state, and society. The group also recognizes it is necessary to devise legal guidelines supported by all in order to avoid centralism and the discretionary use of power to make the government clear before society, to consolidate a true system of parties, "and to establish full guarantees allowing the alterability of power within the framework of legality and order."

The participation of PRI legislators in this new group seeking a new social pact is relevant, because it implies a large number of them are aware of the need to tread democratic paths should they want to prevent the nation from falling into a dictatorship or bloodshed, a PRD deputy has said.

It is worth noting that Jaime Martinez Veloz, whom the PRI has appointed to the legislative commission that would mediate in the Chiapas conflict, is among the many PRI members who have signed the document.

Martinez was appointed to this post against the decision by the group of hard-liners within the PRI bloc, which is headed by Roque. Martinez seems to have been imposed by Esteban Moctezuma himself, who is open to negotiations and a negotiated solution to the country's conflicting situation according to PRD legislators.

"The Convocation to the Nation," the title given to the document expressing the political resolve of legislators from the main political parties, states that delaying the political change "expedites the deterioration of the social web, undermines institutions, and materializes authoritarianism as a formula to keep itself in the short run as a failed solution based upon the use of force."

They are convinced the only viable and permanent solution to a climate of tension is to reach agreements on profound political changes with the participation of national organizations and the government.

Deputy Cecilia Romero and Legislators Jorge Ocejo and Cruz Perez Cuellar have signed the document on behalf of the PAN, while Ramon Sosamontes, Leonel Godoy, Rene Arce, Armando Quintero, Cuauhtemoc Sandoval, and Adolfo Aguilar Zinser, among others, have signed on behalf of the PRD. Gabino Fernandez, Luis Manuel Jimenez Lemus, and Humberto Lopez Barraza, among others, have signed on behalf of the PRI.

Meanwhile, the Chamber of Deputies has approved by a majority vote the six citizen counselors for an indefinite term until the next phase of the electoral reform is concluded. This reform contemplates a different electoral organization.

The approval took place as the PRD remained divided, because although some of its legislators have objected to certain actions by the citizen counselors, they could not help but recognize their accomplishments too.

Commerce Secretariat Head Asks People To Remain Calm

PA2512201594 Mexico City LA JORNADA in Spanish 23 Dec 94 p 47

[FBIS Translated Text] Herminio Blanco, head of the Commerce and Industrial Development Secretariat (Secofi), yesterday asked people to remain calm, serene, and united to face the economic problems which the country is experiencing and which affect only the financial sector, because the rest of the national economy is healthy.

Because we have a clean economy, he has said the increase in the exchange par value will be temporary, because as soon as speculation dwindles, the trend in the exchange rate will go downward, as is the case in such developed nations as Italy and the United Kingdom.

This assessment notwithstanding, he has insisted Mexicans must remain calm and follow a strict discipline so as to ensure that prices and salaries will not change within the next 60 days. In long interviews Blanco granted to Radio Red and a television corporation, the head of Secofi has said the speculative attacks would have jeopardized international reserves should the state have failed to implement a free-floating peso.

Blanco has said the important thing to do now is for Mexicans to remain calm, serene, and united, as well as to be aware that the real economic situation remains healthy and that the exchange rate increase is temporary. He added the interest rate increase is also temporary, because rates will trend downward as soon as the speculative pressure subsides.

Secretary Blanco denied during the telephone interview the prices of products will be adjusted within the next few days. As he has reported, he would meet with representatives from the many chambers of commerce, the Industrial Chamber, and the Association of Self Help Stores [Asociacion de Tiendas de Autoservicio] to approve the agreement that was reached within the framework of the Pact for Welfare, Stability, and Growth [Pabec]. He has said "this is the agreement we have reached with representatives of the labor, peasant, and business sectors."

Questioned about who will absorb the costs triggered by the par value of the peso vis-a-vis the dollar, he simply stated this increase is temporary, because "this situation is speculative and because the basic economic foundations remain sound. [no closing quotation mark as published] "Public finances remain balanced, we experienced growth in the last few months, and exports to the United States have increased by twice the rate of exports to other countries," he has said.

Blanco also has reported during the televised interview the Pabec members will meet to determine the economic strategy to follow once the 60 days the sectors gave themselves "as a truce" to endure the speculative wave are over.

Bank Deputy Views Emergency Economic Program

PA2512194294 Mexico City EL FINANCIERO in Spanish 23 Dec 94 p 6

[Report on an interview with Ariel Buira, deputy governor of the Bank of Mexico, by an unidentified reporter during the radio program "Business Leadership" in Mexico City; date not given; first six paragraphs are an introduction—passages in italics as published]

[FBIS Translated Text] The emergency economic program and the withdrawal of the official support to the foreign exchange market is the result of economic exhaustion in which flights of capital "won the battle." Ariel Buira, deputy governor of the Bank of Mexico, has broken part of the tradition and has called a spade a spade. He has said that the measures taken under the protection of the pact clearly constitute a devaluation and that the main macroeconomic goals will be significantly adjusted.

He has asked people not to be fearful of the level the dollar may reach and has warned stability will be reestablished as long as the new foreign exchange prices do not become permanent, as long as businessmen do not surreptitiously increase prices, and as long as workers do not request wage increases.

Buira, one of the main framers of the country's monetary policies, has reassured during a long interview that the state "has not spent a single penny" so far from the Credit Lines of Mutual Support as agreed upon with the United States and Canada amounting to more than $6 billion and that the country has an additional $1 billion from a similar line of credit established with Spain and France. The objective is not to resort to these resources except for cases in which we need to face speculative attempts.

He has said the economic model that had worked so well in the last few years became unbearable since February 1994, when capitals stopped flowing into our country.

Without being reticent, he has said the main economic goals will definitely be adjusted due to the new "disruptive adjustment" program.

Buira explained during the conversation held during the radio program "Business Leadership" that the reassessment of goals will be made within 60 days, once the reactions of how the markets react to the measures are analyzed. He has insisted, however, the negative effects of the devaluation will attenuate themselves as long as people do not make them permanent by reticketing merchandise, demanding salary hikes, and increasing public spending.

[EL FINANCIERO] *Why were these measures taken if it had been said that everything would remain unchanged, that there would not be a devaluation, and that there were better economic prospects?*

[Buira] 1994 has been a very difficult year interspersed by unfortunate political events such as assassinations, kidnappings, and a very marked political uncertainty that has influenced the manner in which both national and foreign investors see our country.

"Mexico is a country that has carried large account deficits for many years. It is a country that has imported foreign capital to finance its investments. This system, which worked very well in the last three to four years until February 1994, has begun to wane in view of *domestic and foreign factors.*

"The lack of capital flows has prompted the system that had worked so well to become unbearable. These are the reasons that forced us to take the measures we took in the last few days."

[EL FINANCIERO] *How will financial markets operate under these measures, and what should be the level of balance?*

[Buira] It is impossible to guess what the exchange balance must be, because it depends on capital flows. "The only manner in which this balance will not reach maximum levels, however, is if people do not make these new dollar prices permanent. This reason is why it was agreed the prices of goods and public services and salaries will not be altered within the next 60 days. This devaluation, which is what we are experiencing, is the only way we can correct the balance of payments and improve our country's competitiveness in order to attract all sorts of investment once again."

[EL FINANCIERO] *Will the workers' purchasing power be adversely affected?*

[Buira] Yes, it will be affected. This reason is why we have agreed to revise these measures within 60 days to determine which additional measures must be taken.

[EL FINANCIERO] *How should businessmen face higher interest rates? Who will end up paying for these new increases in the prices of raw materials and financing?*

[Buira] We cannot deny the interest rates will increase to high levels, but it will not last long. The idea is that interest rates will drop in the short term, once uncertainty disappears. How low? How fast? It will depend on how we all behave. It will largely depend on how we are able to stabilize the markets as soon as possible, and this stabilization depends solely on the people.

[EL FINANCIERO] *At the risk of sounding naive, why did monetary authorities accept adjusting this exchange rate, which is one of the "anchors" of the stability program that was revered as a myth?*

[Buira] The reason is quite simple: We could not bear the exchange rate. Following several weeks of large capital outflows, we have determined that it was impossible to keep that pace and that it was necessary to free the exchange rate in order to protect our reserves.

[EL FINANCIERO] *Did capital flights defeat us, then?*

[Buira] Yes, capital flights, the lack of trust, uncertainty, and other events have defeated us.

[EL FINANCIERO] *What is the current level of reserves?*

[Buira] The Bank of Mexico maintained for many years a policy of making public four times a year the amount of international reserves. The most recent time was on 1 December. I am not at liberty to tell you what is the current amount.

[EL FINANCIERO] *You said, however, there were large flights of capital. This point is why it is being said our reserves amount to $6 billion. Should this figure be true, would it justify us taking such emergency measures as the ones we took, or is there any leeway left?*

[Buira] I cannot give you any figure for the amount of reserves, but I can tell you a large sum of money has left the country, thus making foreign exchange policies unbearable. Fortunately, as one implements a system of floating rates, we no longer need reserves, because the market balances itself. Certain reserves could probably be used, however, to occasionally intervene and keep the markets in order to prevent erratic, sudden, and unnecessary movements; in other words, we could intervene to prevent speculative bubbles [burbujas especulativas]. We have enough reserves to take this measure.

In addition, we have signed mutual credit agreements with the U.S. Treasury Department for $6 billion and with the Bank of Canada for 1 billion Canadian dollars. We also have signed similar agreements that were not discussed at the pact meeting, with the Bank of Spain and the Bank of France.

[EL FINANCIERO] *To what do these additional credits amount?*

[Buira] To approximately an additional $1 billion.

[EL FINANCIERO] *Did we already spend these credits?*

[Buira] No, we have not spent a single penny, and we believe it will not be necessary. We have these credits to ensure that we will not run out of playing cards and that we will have to suspend payments or experience a disrupted foreign exchange market.

[EL FINANCIERO] *Is the 1982 ghost completely vanished due to these credits?*

[Buira] What we are facing now is basically and radically a situation different from that of 1982. The Mexican economy has been experiencing a profound reorganization in the last few years.

Effects of Devaluation on Foreign Debt, Labor Assessed

PA2812043294 Mexico City LA JORNADA in Spanish 26 Dec 94 p 1-30

[Report by Juan Antonio Zuniga M.]

[FBIS Translated Text] Because of the direct effect the devaluation of the peso against the dollar has had on the major variables of the Mexican economy, the country's total foreign debt will rise from 39.3 percent to 59.6 percent of the GNP this year. That will place it back to a level similar to that in 1986, when it was 59.4 percent.

According to research carried out by the Inter-American Development Bank (IDB), the Finance Secretariat, and the Bank of Mexico, the devaluation suddenly reduced the cost of Mexican labor from $4 to $2.82 per day. Hence, Mexico again has one of the lowest labor costs in the world.

The average wage on the Mexican economy, which was $12 a day, fell to $8.43. This all implies a 30-percent drop in the cost of labor nationwide.

The eight-hour workday will continue, but each worker will contribute an additional $3.60 every day to the finished product's profit margin with his hard work, of which he will be paid nothing. This could be announcing the beginning of an economic shock policy similar to that implemented in 1983, but to a more drastic extent.

Provided the current work force remains at its current level, with 9 million workers registered under the Social Security system, the sacrifice that the work force will make to Mexico's economy could be worth about $32.4 billion, or its equivalent in Mexican pesos during 1995. That figure alone is about 12.5 percent of next year's GNP.

The cost of labor in Mexico, then, is $1.05 an hour. This is similar to that in China and three of four times less than that in Korea, Thailand, Hong Kong, and Brazil.

The cost of labor in the United States is $17 an hour; in Japan it is $18; $24 in Germany; a little more than $15 in France; Spain reports $11; and so on. Mexico, consequently, pays the lowest wages of all the member countries of the OECD, of which it became a member this year.

The comparative advantage of having a lower labor cost than the countries with which Mexico does its international business might allow us to attain the competitive level we did not attain by way of the so-called "modernization" of the export production apparatus. This would be possible due to the devaluation history that has distinguished the varios economic systems we have applied since at least 1954.

As imported goods increase in price at the same rate as the devaluation rate, the government's projections regarding the trade balance and the nation's current account are now worthless.

The year is not yet over and already the General Criterion for Economic Policy for 1995, which estimated the trade balance for next year at 17,973 [currency not specified] and set the current account at 30.475 billion [currency not specified], have become fiction or an illusion. The same applies to our expectations of growth and the ambitious job creation plans. Mexicans will have to start again from scratch.

According to official projections, this year's national production will total about $356 billion. However, when faced with the current five pesos to the dollar exchange rate, that figure is really $250 billion.

Mexico's foreign debt currently stands at $140 billion, $85.137 billion of which belong to the public sector, 30 billion to the private sector nonbanking institutions, and $25 billion to commercial banks.

Another economic variable to feel the adjustment is the so-called per-capita income. It showed a consistent growth during the administration of Carlos Salinas de Gortari, reaching $3,998.60 a year. Devaluation brought that figure down to $2,808.35 a year, which means a 29.7 percent drop, or five year's worth of growth for this indicator.

Article Warns Against Adverse Effects of Devaluation

PA2412001694 Mexico City EL FINANCIERO in Spanish 22 Dec 94 p 8

[Article by Marcos Chavez M.: "The Adverse Effects of the Peso Devaluation"]

[FBIS Translated Text] Instead of being a good move to reassure financial markets, strengthen the country's international reserves, recover investor trust, and leave the country's 1995 economic targets untouched, the 15.3 percent exchange rate adjustment will bring about all kinds of adverse effects associated with devaluations, which could ultimately lead to a recession.

Among these adverse effects are: immediate panic among investors, who will enter the foreign exchange market and deplete international reserves, prompting an increase in domestic interest rates, which will be hiked in an effort to prevent a flight of capital and to restore balance within the financial sector. In turn, this hike in interest rates will increase the price of money and the cost of domestic public and private debt payments, which will exacerbate the payment problems faced by those seeking credit and bank loans.

It also will be necessary to spend more pesos per dollar when servicing the foreign debt, and this will increase the cost of foreign funding.

It will also increase the cost of importing goods and services. Even though this could help decrease the country's trade deficit, it will also adversely affect prices—by way of imported inflation—of raw materials and the capital necessary for economic growth. It also will adversely affect the creation of jobs and the purchasing power of salaries.

In light of this, the exchange rate adjustment has virtually altered all of the objectives and goals of the country's 1995 economic policy before this policy has even been applied.

The most serious thing, however, is that the devaluation measure was too little and too late to eliminate the causes that led to the current situation. These causes are threefold: the consequences of interest rate hikes in the United States; the increasing imbalance in the country's foreign account; and the country's domestic instability as a result of the Zedillo government's inability to offer the necessary solutions to eliminate instability and restore confidence in the government and its future economic plans.

According to TENDENCIAS magazine, a big question has lingered in financial markets over the past few days: How long will the Bank of Mexico be able to resist exchange rate pressures, and up until what point will this burn up the country's international reserves and increase interest rates?

The outlook, according to TENDENCIAS, is not as optimistic as that of last week. In the credits granted to national intermediaries by the Bank of Mexico, there is a liquidity deficit of nearly 8 billion new pesos for December, 12.885 billion new pesos for January, 8.214 billion for February, and 5.5 billion new pesos for March. In late 1995, the liquidity deficit will have reached 27 billion new pesos.

To control liquidity, exchange rate pressures, and interest rates, officials from the Finance and Public Credit Secretariat said that last month the central bank intervened in money markets with an estimated daily average of 5 billion new pesos, primarily to maintain exchange and interest rates. This situation has been aggravated by a drop in the entry of capital. In November and early December, for example, the purchase of public assets by foreign agents declined 8.207 billion new pesos while the purchase of treasury bonds fell 5.276 billion new pesos; in other words, we are witnessing capital flight and an increasing trade deficit.

At the end of 1994 [as published], international reserves amounted to $24.6 billion. In February 1994, international reserves totaled $28.7 billion. Just before the devaluation, the Moneda Group estimated international reserves somewhere between $11 billion and $12 billion. A day later a Finance Secretariat official estimated them at between $8 billion and $9 billion. By year's end they could drop below $7 billion.

The official diagnosis, which blames the Zapatists for the devaluation, is partially true. Also contributing the problem, however, are domestic power struggles; the weakness shown by the new government; the increase in interest rates in the United States, which could again move higher in February 1995; and foreign investor hesitation in light of the country's economic program and current balance of payments.

Figures prepared by both the public and private sectors indicate that as of September 1994 the country had capital account deposits amounting to $17.2 million, a balance of payments deficit of $22 billion, and capital flight totaling more than $10 billion, which led to a foreign exchange deficit of $15 billion that was covered with reserves.

It is estimated that in 1995 there will be an external deficit of nearly $31 billion, which leads one to ask: How can the country conduct financial negotiations in such an unfavorable international context?

The exchange rate adjustment, instead of meeting expectations, only lowered them and undermined the government's economic policies and business plans.

The measure will increase the prices of imports and will supposedly encourage exports. The export of goods, however, requires imported raw materials and expensive capital that will drive up production costs and, therefore, will increase inflation. If one adds the cost of credit to inflation, prices for 1995 will increase a minimum of 7 percent versus the government's prediction of 4 percent.

If for 1995 the government had estimated the financial cost of its internal debt to be 11.9 billion new pesos and its foreign debt to be 18.3 billion new pesos, now it will have to allocate more budgetary funds—specifically, in the case of the latter, at least 3 billion new pesos more, as long as overseas interest rates do not increase. How will the government cover this gap? Businessmen will face this same question.

The situation will not only have an adverse effect on investment and growth—is not a recession possible?—but also on jobs and wages.

Yes, the devaluation has hurt some profiteers, but not the big ones who continue to benefit from stock market, exchange rate, and interest rate variations.

Government Program To Activate Manufacturing Industry

PA2212123394 Mexico City EL FINANCIERO in Spanish 19 Dec 94 p 32

[Passage in italics as published]

[FBIS Translated Text] Nowadays, successful macroeconomic policies constitute the great ally of production in Mexico, and in order to take advantage of these policies, the main objective of the Mexico 1994-2000 Industrial Policy Program [Programa de Politica Industrial Mexico 1994-2000] must be the activation of the country's manufacturing industry amid a climate of competitiveness at the world level.

Industries constitute the engine for economic growth and one of the most effective paths to bring family welfare to the population.

Having a healthy economy in the country is considered to be of utmost significance in the study entitled *Industrial Policy Program for 1994-2000*, which was conducted by Carlos Mireles Garcia and other businessmen at the request of President Ernesto Zedillo and which encompassed the federal government's duties and the actions proposed by the many manufacturing and academic organizations and by other sectors.

A healthy economy encourages the participation of businessmen with greater production, more jobs and revenues, and greater industrial competitiveness.

The analysis, of which EL FINANCIERO obtained a copy, indicated that domestic and foreign private investments constitute the engine for industrial growth. That is why the government will take specific actions fostering productive investments, which will trigger a larger number of options for jobs, production, and revenues.

One of the most dynamic tasks the government, will undertake from the beginning is to induce productive investments together with the other sectors of the economy, as well as businessmen—both Mexicans and foreigners—who are convinced of the success of the industrial project.

As for fiscal policies, it is being said that these will be flexible and adequate in order to become a key factor of promotion and encouragement for productive investments.

Compliance with the principles of fiscal collection—namely, proportionality and equality—must be encouraged by stimulating the payment of fiscal liabilities.

Administrative orientation, adaptation, and simplification will promote the search for larger investments that, thanks to their contributions, will make the number of sources of tax collection grow.

The document also stated that the competitiveness of the manufacturing industry depends largely on adjusting the conditions needed to access financial sources based upon foundations in agreement with the situation of the Mexican industries and conditions of world competition.

As a reply, the government pointed out that the cost of money, collateral guarantees, grace periods, and their amortizations will be compatible with the principles of international competition as it offers financial services to the industries.

Regarding the promotion of regulations, the document indicated that the government is planning to move forward with the tasks of modernizing the management of the instruments related to industrial regulations.

In addition, the government will foster a system of manufacturing registration and regulation, similar to the systems that control these activities in those countries with leading industrial developments.

Controls will be kept on the most significant aspects in an agile and crystal-clear manner, aiming at promoting productive investments.

As far as infrastructure is concerned, the study mentioned that the participation of the Mexican companies in world competition will be the result of team work, based on a functional, modern, and large infrastructure that will make the regional manufacturing development as the axis of the new industrial force a reality.

It is established that, as a reply, the government's manufacturing production policies will embark on the search for larger private investments to renovate, enlarge, and modernize the infrastructure in such fields as electronic communications, highways, railways, industrial parks, ports, and municipal services.

Assembly Approves Reorganization of Federal District

PA2612133994 Mexico City XEW Television Network in Spanish 0430 GMT 24 Dec 94

[Report by Gabriela Resendez; from the "24 Hours" newscast]

[FBIS Translated Text] The Federal District Department [DDF] is changing its structure.

Following a proposal from President Ernesto Zedillo, the First Legislative Assembly has approved the Federal District's public administration charter, which reorganizes the Mexico City government. The charter was approved on a 57-0 vote with three abstentions.

The Federal District government will cease to exist as an administrative department, its top official will now be called chief of the Federal District, and its duties will be assumed by various decentralized government offices that will be interdependent and led by the chief of the Federal District.

Five new secretariats will be created: Urban Development and Housing, Environment, Economic Development, Finance, and Transportation and Highways. All of these will assist the chief of the Federal District. The current Protection and Highways General Secretariat will become the Public Security Secretariat.

These new offices will join the three existing secretariats under the DDF—the Government, Public Works and Services, and Social Development Secretariats, which will become the Education, Health, and Social Development Secretariat. The Office of the Senior Officer [Oficialia Mayor] and the Comptroller General's Office will continue to operate following the DDF reorganization.

The document that was approved notes that the new organizational structure will feature more democratic and participatory mechanisms. It recognizes that it is necessary to create better mechanisms to provide solutions to the Federal District's problems.

This evening the chief of the Federal District, as he is now called, met with party representatives. The negotiations between five political parties and the DDF were resumed in an effort to continue searching for a consensus on the political reforms for the Federal District. Federal District Chief Oscar Espinoza Villarreal talked to PRI [Institutional Revolutionary Party], PT [Labor Party], PRD [Party of the Democratic Revolution], PAN [National Action Party], and Green Ecologist Party legislators and representatives.

[Begin Espinoza recording] No political force should impose dialogue conditions or exclude any topics which, according to the other political forces represented here, can contribute to the democratic progress of the institutions. [end recording]

Espinoza also called for dialogue and tolerance.

[Begin Espinoza recording] I welcome pluralism. I invite you to a serious and responsible debate until we reach a consensus. [end recording]

The four opposition parties said they want the Federal District to be declared the 32d state of the United Mexican States with authorities directly elected by residents of Mexico City, to which the PRI answered that it must continue being the capital of the country, because it is not simply another state of the republic, it is the republic itself. The five representatives of the political parties comprising the technical committee that will negotiate the political reform of the Federal District will be appointed Monday and will meet on 13 January.

Government Announces New Appointments

PA2112195794 Mexico City XEW Television Network in Spanish 0430 GMT 20 Dec 94

[From the "24 Hours" newscast]

[FBIS Translated Text] There have been more appointments in the government.

Gilberto Borja Navarrete took office today as the director of the National Finance Bank, Inc. Borja Navarrete is 65 years old. For over 40 years, he has been an industrial businessmen. He has been involved and still is in construction, automobile spare parts, and real estate development. He headed ICA [Associated Civil Engineers].

Former President Miguel de la Madrid was confirmed as director of the Economic Culture Fund. He said the fund will maintain its pluralist views and continue supporting middle-level and higher learning.

Fisheries Secretary: U.S. Tuna Embargo 'Unjust'

PA2312193894 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 22 Dec 94 p 4

[Report by Luz Arcelia Camarena M.]

[FBIS Translated Excerpt] [Passage omitted] Fisheries Secretary Julia Carabias Lillo, who will be responsible for what will become Mexico's largest secretariat, the Secretariat of Environmental Protection, Natural Resources, and Fisheries, has remarked on the U.S. embargo on Mexican tuna exports. She has said this embargo has nothing to do with the environment but, rather, with economic aspects, adding many ecological groups have accepted it without analyzing the real meaning.

It is an unjust embargo, which has caused serious economic problems to the Mexican tuna fleet, she has said. She has said Mexico has practically reduced to zero the catching of dolphins along with tuna, adding Mexican fishing boats are operating better than U.S. boats.

Guatemala

Protocol Signed With Mexico on Sugar Exports

PA2412195794 Guatemala City SIGLO VEINTIUNO in Spanish 23 Dec 94 p 5

[FBIS Translated Text] In the afternoon of 22 December, Mexico and Guatemala signed the Eighth Protocol modifying the Partial Scope Agreement [Acuerdo de Alcance Parcial], which was signed by the two nations. Guatemalan sugar exports will be able to enter the Mexican market without tariffs from 1 January to 31 December 1995.

The protocol was signed in Mexico City, and our ambassador to that country, Manuel Maldonado Aguirre, represented the Guatemalan Government, while Jaime Zabludovsky, international trade negotiations under secretary, represented Mexico.

With the signing of this agreement, Mexico will grant Guatemalan sugar a preferential quota equal to 50 percent of the overall quota for Mexican sugar imports and a 0-percent tariff. Mexico will announce in writing no later than 15 May 1995 the amount of the overall import quota for raw sugar and will expand the quota on 1 October 1995 or whenever it deems it necessary.

In case Mexico increases its overall quota, it will also increase that of Guatemala by the aforementioned percentage; that is, by 50 percent.

The agreement stipulates Mexico will subject the access of sugar imported from Guatemala to the preferential quota, including any expansion in the quota, through the assignment of quota certificates [certificados de cupo].

The assignment of the preferential quota will be based upon raw sugar imports, taking into account applicable conversions in case sugars other than raw sugar are imported. In addition, the quota certificates will be used only during the 1 September-31 December 1995 period, but Mexico will be able to unilaterally extend this period according to its needs.

The Mexican and Guatemalan Governments decided to create the Sugar Committee in order to follow up on the provisions included in the Eighth Protocol.

Finally, the agreement states Guatemala will allow Mexican sugar to enter the country with a 20-percent preferential quota as long as the sugar is imported from 1 September to 31 December 1995. This preferential quota will equal the lesser of the ad valorem tariff in effect at the time this protocol is signed and the ad valorem tariff in effect at the time sugar is imported.

Report on Economic Situation, 1995 Prospects

PA2212201894 Mexico City NOTIMEX in Spanish 1542 GMT 20 Dec 94

[Report by Adis Urieta]

[FBIS Translated Text] Guatemala City, 20 Dec (NOTIMEX)—According to specialists and government sources, Guatemala closed 1994 without reaching the macroeconomic goals established with its international creditors and with a minimum economic growth of 2.2 percent.

President Ramiro De Leon Carpio's government signed an agreement with the IMF setting monetary, inflationary, and fiscal goals for 1994. The agreement established an 8 percent inflation rate and an 8.5 percent fiscal deficit over the GNP, among other measures. Guatemala Bank (Banguat) President Willy Zapata and Finance Minister Ana Ordonez have asserted, however, that it was impossible to meet all the goals agreed on with the IMF but that "things will change" in 1995. Ordonez told NOTIMEX that the fiscal deficit had grown instead of decreasing this year and that $230 million in tax evasions had resulted in tax revenues that amounted to 6.9 percent of the GNP in 1994.

The National Institute of Statistics (INE) revealed that inflation reached 11.20 percent by 30 November. This exceeded the sector's second goal: 10 percent.

Banguat estimated its operational losses at 500 million quetzales ($87 million) for 1994, but the losses will amount to 900 million quetzales ($157 million). This is yet another of the goals established with the IMF that was not met. Banguat's losses in 1993 amounted to $122 million. Banguat's president said the institution had preferred to increase its foreign debt payments 100 percent. This debt amounted to $600 million in 1993 and now stands at approximately $450 millions. He added that Banguat took advantage of the country's increased international reserves—over $800 million—to pay its creditors in a timely manner and comply with the $735-million goal it had set with the IMF for its reserves.

The quetzal's rate of exchange stabilized because the government liberalized the public sale of foreign exchange last March. The exchange rate is around 5.75 per one U.S. dollar.

An IMF delegation is now reviewing the 1994 performance of the Guatemalan economy to determine if they should sign a "standby" agreement here next year, which would certify the country to receive credits. This year the government managed to get Congress to consolidate the country's $72 million foreign debt with four Paris Club countries (Canada, Germany, Italy, and France). It still has to renegotiate $400 million in payments to Spain.

Economic specialist Guillermo Salazar has criticized the government for focusing its policy on macroeconomic and situational goals while the country's main economic engines—private investment and exports—are declining. The Economic Studies Foundation (FIE) estimates that the country's economic growth will be 2.2 percent in December 1994; this is 44 percent less than in 1993 and 55 percent under the goal set for this year. According to Salazar, bank interest rates continued at over 15 percent despite government measures to lower them. He said that this had inhibited investor activity.

Guatemala's commercial balance in 1993 [date as received] will reach a deficit of more than $1.3 billion, according to official estimates. It was hoped that revenues from the tourism sector, the country's second largest foreign exchange generator, would reactivate the economy this year. But the sector's income dropped more than 10 percent, according to recent reports.

The country's economic and fiscal authorities have focused their 1995 expectations on the fiscal package approved recently by Congress, which is geared to increasing fiscal revenues to 8.5 percent of the GNP. The package includes a value-added tax of between 7 and 10 percent that will take effect a month after the government and the guerrillas sign a peace accord or, if this does not happen, in January 1996.

Further, the assembly approved a 9.559 billion quetzales ($1.662 billion) budget which will allow the executive more leeway in implementing social investment programs.

Those two last events are the most important political achievement of Ramiro De Leon's government in 1994. They were made possible by the election of a new congress last August.

The government still has a tough road ahead. The country has very serious social problems; 80 percent of its inhabitants live in poverty, 50 percent are illiterate, and 50 percent of its children are undernourished. The country also has a housing deficit of over 800,000 units.

Thus the macroeconomic goals, payments of the foreign debt, normalization of relations with the Paris Club, and the budget increase mean nothing in this country with millions of poor, illiterate, and internally displaced people who have no roof or land to call their own.

Honduras

23 Cuban Rafters Arrive on Caribbean Coast

PA2712192894 Panama City ACAN in Spanish 1825 GMT 27 Dec 94

[FBIS Translated Text] Tegucigalpa, 27 Dec (ACAN-EFE)—The Honduran Government today announced that at least 23 Cuban rafters fleeing Fidel Castro's communist regime have arrived on the Caribbean coast of this Central American nation.

Honduran Immigration Director Angelina Ulloa said the Cubans were found by Honduran fishermen on the high seas in the "Rahia del Mango" sector. The rafters were found on 24 December and are now sheltered near the bay facing the islands of Utila, Guanaja, and Roatan in the department of Islas de la Bahia.

Ulloa's preliminary report does not say whether women or children are included among the 23 rafters. These new Cuban rafters now join 14 others who have reached Honduras in the last six months of 1994 and are staying in this Central American country as refugees.

Nicaragua

Internal UNO Disputes Threaten Unity Among Liberals

PA2712165794 Managua BARRICADA in Spanish 26 Dec 94 pp 1, 2

[Report by Carlos Garcia Castillo—words in italics as published]

[FBIS Translated Text] Over past weekend, the dissent shaking the flimsy liberal coalition hit a critical point after Virgilio Godoy decided to give the liberal faction headed by Managua Mayor Arnoldo Aleman until 30 December to reconsider its moves within the National Assembly—moves which, according to Godoy, contradict UNO [National Opposition Union] guidelines.

The moves by the PLC [Liberal Constitutional Party] faction came in response to UNO's decision to nominate liberals Luis Sanchez Sancho, Julia Mons, and conservative Nicolas Bolanos to the National Assembly's Board of Directors, which meant that Jaime Bonilla would be left off the ticket designed to unseat incumbent National Assembly President Luis Humberto Guzman.

Virgilio Godoy, president of the Independent Liberal Party [PLI], warned Aleman's supporters that the PLC would be ousted from the UNO Political Council if, by 30 December, the PLC's legislative wing did not reconsider moves within the National Assembly.

Meanwhile, contacted by BARRICADA at his home, Sergio Garcia [PLC secretary of political information] said: "The clock is ticking, but for now we do not expect to adopt any decisions on the matter."

The discord plaguing the liberals has put their tattered *unity* in a stalemate, so much so that last Sunday, 11 December, the liberals failed to pack the Plaza de la Revolucion for a so-called "huge rally," where Aleman took the opportunity to proclaim himself leader *forever* [preceding word in English] of the unified liberals. The dissension, which up until 11 December had merely been symbolic in nature, has now become a full-blown disagreement.

During the rally, for example, Aleman did not allow Virgilio Godoy to speak, discounting a previous agreement under which each of them would be given 10 minutes to address the crowd. Aleman's grandstanding cost him dearly, because the other liberals decided to settle the score by withdrawing their support for the mayor's candidate, Jaime Bonilla, who was bidding to occupy the position of National Assembly president. The National Assembly Board of Directors is scheduled to be selected on 9 January 1995.

Meanwhile, Jaime Bonilla described UNO's decision as a betrayal and a total disregard for internal agreements. Shortly after the decision was announced, Bonilla stressed, "We feel as though the knives have been unsheathed (apparently alluding to Alfredo Cesar) and that UNO violated an internal agreement."

A source close to the PLC noted that the issue that prompted the conspicuous squabbling that erupted at the last liberal convention has now moved into more fundamental areas. The same source reported that one of the fundamental issues blocking all attempts at unity centers on the establishment of appropriate mechanisms to validate the exact number of each faction's supporters. The dispute over the number of supporters is a key issue, because this number will be used to determine how much representation each faction will have during the unification convention, if such a convention ever takes place.

Panama

Opposition Parties Create Democratic Coordinating Board

PA2512020194 Panama City Circuito RPC Television in Spanish 2300 GMT 24 Dec 94

[From the "RPC Television News" newscast]

[FBIS Translated Text] At a meeting held today, the Arnulfist Party, the Molirena [Nationalist Liberal Republican Movement], the Christian Democratic Party, the RC [Civic Renewal Party], the Authentic Liberal Party, the Liberal Party, and the Morena [National Renewal Movement] announced they are obligated to guarantee honesty in the handling of public funds, ensure the prevalence of democratic and legal institutions, and secure the speedy handling of the social problems being faced by the Panamanian people, who today are being threatened by the executive branch's unjustifiable actions. In an effort to meet these responsibilities, they have agreed to create the National Democratic Coordinating Board [Coordinadora Democratica Nacional] as a permanent forum for consultation, analysis, and troubleshooting. They also hope the new board will receive input from other political, social, and democratic groups in the search for national well-being.

Argentina

Foreign Ministry: Major's Remarks 'Arrogant'

PY2712140194 Buenos Aires TELAM in Spanish 2219 GMT 26 Dec 94

[FBIS Translated Text] Buenos Aires, 26 Dec (TELAM)—Foreign Ministry Secretary General Andres Cisneros has said a recent speech by British Prime Minister John Major to the Malvinas Islands inhabitants was inconsistent.

"Major's remarks fluctuated from rational to arrogant. This shows it is very hard for London to maintain a consistent policy," Cisneros said at the Foreign Ministry.

The official added: "If the British Government takes unilateral steps" [words indistinct] oil in the South Atlantic "Argentina will file strong legal complaints at all available forums."

Cisneros said oil exploration in the zone will "require large investments, which will be hard to obtain under the insecure legal framework that will inevitably result if Argentina does not fully participate and cooperate."

Answering Major's remarks, Cisneros said the British official "does not speak with propriety on the issue of sovereignty" over the southern archipelago.

Cisneros stressed that Major "said the islanders have the right to be ruled by the flag of their choice," recalling that "a year ago" Major said "the islanders have the right to remain British."

"This ambiguity shows it is hard for the British Government to maintain a consistent policy. It fluctuates between rationality and arrogance," Cisneros added.

He reiterated Argentina's position: "We register all remarks but act according to the facts."

Regarding the issue of oil exploration, Cisneros said: "In the same speech Major praises the islanders' unilateral decision and advises 'not to create difficulties with Argentina.'"

Cisneros said: "The British Government often acts after the fact," warning that "this attitude is not free of cost."

The official added: "Stubbornness, arbitrariness, and arrogance following the 1982 military superiority has a cost in the minds of the international community."

Cisneros said: "Arrogance and unilateral actions are always bad business for those using those methods."

Cisneros reiterated his opinion on Major's controversial speech to the Malvinas Islands inhabitants, which was aired by the BBC, adding "only a few paragraphs were broadcast."

Cisneros said: "Major speaks of a recent trip to Belfast (Ireland) and tells the Malvinas inhabitants he hopes the Irish question can be solved with the participation of all those involved in the conflict."

"I also thought his advice to the islanders to resolve [word indistinct] the fishing question 'in cooperation' was important," Cisneros concluded.

Cisneros Views UK 'Intransigence'

PY2712163394 Buenos Aires TELAM in Spanish 1848 GMT 26 Dec 94

[FBIS Translated Text] Buenos Aires, 26 Dec (TELAM)—Foreign Ministry Secretary General Andres Cisneros today dismissed the possibility that the United Kingdom might begin unilateral oil exploration in the area surrounding the Malvinas Islands.

"Parties usually harden their positions before negotiating. We do not think the United Kingdom will implement any oil exploration policy unilaterally," Cisneros told Radio America.

The Argentine official thus minimized the consequences of British Prime Minister John Major's remarks during his Christmas address to the 2,200 [Falklands Islands] inhabitants that "significant oil findings will change their economic future."

Major stressed, however, the need "for ways to explore for oil without creating insoluble difficulties with Argentina."

On 11 December Foreign Minister Guido Di Tella warned that the government "is preparing a package of legal measures in case the British start exploiting oil on their own."

Di Tella said Argentina will file legal complaints "at civilian courts of countries where eligible companies are based."

Cisneros said today: "We are not going to be arriving under the best conditions at the March negotiations concerning oil because of the apparent British intransigence."

Cisneros warned: "We will see if this intransigence continues during the negotiations."

Cisneros said: "Usually countries harden their positions before beginning to negotiate and then step back from those positions, or not. We hope the issue will be discussed sensibly, looking at the future, and that agreement will be reached."

He said: "The world has seen how Argentina has acted since 1882. It has maintained a mature, adult attitude, always seeking dialogue, taking joint decisions, and adopting a constructive position."

"We are doing the correct thing, what was requested by the United Nations. The United Kingdom sometimes does not do this and works on the bases of accomplished facts, with inconsiderate decisions that hurt them more than they hurt Argentina," Cisneros said.

He added: "This is not the product of a good or bad Argentine foreign policy. The British position of force stems from the war we lost in 1982."

Cisneros said: "This situation, which is sometimes arrogant, derives from the British military superiority and the fact that we started and lost a war."

The Foreign Ministry official said: "No one requested (U.S.) mediation and there are little chances it will be possible, unless the situation deteriorates and becomes very serious."

Cisneros added: "The international community reacts and pressures, or makes its opinion heard, when one of the two countries adopt an extreme position. The purpose is to make that country withdraw from its extreme position."

With respect to the attitude of oil companies, Cisneros said the Argentine Government "knows the world's largest oil companies want an agreement to be reached."

Asked about the islanders' self-determination, Cisneros said: "Argentina has a very clear position, which has been successfully defended by all national governments, including this and the previous government."

"The United Nations declared a long time ago that the Malvinas question is a colonization (problem) that has nothing to do with self-determination because the island does not have a native population. The British expelled the native population, who were Argentines, and brought new settlers to the islands."

Mexican Crisis Places Local Banks in 'Difficulties'

PY2712181794 Madrid EFE in Spanish 1351 GMT 27 Dec 94

[FBIS Translated Text] Buenos Aires, 27 Dec (EFE)—The Mexican crisis has caused repercussions on the Buenos Aires stock and financial markets, placing the largest Argentine banks [banca mayorista] in difficulties. They suffered serious losses and bank officials fear massive withdrawals by foreign investors.

Buenos Aires financial market sources said today that the lack of cash, which is considered temporary, is affecting at least 10 large banks, just as inter-bank annual interest rates stand at 26 percent.

Inter-bank interests rates jumped sharply last week after the Central Bank ordered restrictions on the lending of funds to banks. This raised the price of credits for industry and commerce.

The institution that was affected most was the Extrader Bank, which lost 20 percent of its capital. These losses are due to the bank decision to invest in Argentine public bonds, which suffered strong losses as a result of the Mexican crisis.

The Buenos Aires newspaper PAGINA 12 said the Extrader Bank belongs to a member of Argentine President Carlos Menem's "closest circle," a fact that provoked great uncertainty in the financial market.

The sources said the Extrader Bank is currently negotiating an agreement with the U.S. Citibank and Bank of Boston to get financial assistance in exchange for shares.

Finance Secretary Roque Maccarone today said the Central Bank of the Argentine Republic (BCRA) has decided to help institutions with cash problems "if necessary to prevent a financial system crisis."

"The crisis is not so bad that we must fear for the population's savings," stressed Maccarone, adding that larger banks' problems "will not become a big thing."

He denied the possibility of a massive withdrawal of funds by foreign investors, as financial market operators fear.

The influential business newspaper AMBITO FINANCIERO said foreign credits to banks will be automatically cut if a single Argentine bank stops paying its international obligations.

The BCRA decided to help banks after canceling an operation that would have enabled banks to place public bonds at the BCRA as guarantee for credits at 9.75 percent annual interest rate.

This type of credit was canceled last week in order to prevent a massive purchase of dollars when the devaluation of the Mexican peso began to affect other Latin American markets.

Rumors of possible bankruptcies among major banks affected the Buenos Aires stock market. Yesterday, the share index dropped 5.3 percent. The total drop for the month now stands at 13 percent and total drop for the year at 21 percent.

The Merval index, which measures leading shares, dropped to 455.98 points, the year's lowest level.

Court Decides Foreign States May Sue in Argentina

PY2612174094 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1845 GMT 23 Dec 94

[FBIS Translated Text] Buenos Aires, 23 Dec (NA)—It was officially reported here today that the Supreme Court has decided that foreign states can be tried in local courts, though only for "administrative acts" and not for governmental acts.

The decision changes existing legal precedence in the country. It was issued within the framework of a lawsuit over labor relations against the embassy of the former Soviet Union in Argentina.

The court decision introduces changes in the concept of the immunity of foreign states that in the past had prevented any lawsuits against foreign missions from prospering in Argentina.

The Supreme Court ordered the Second Federal Civil and Commercial Court to hear the case, thus changing the precedent on the subject. The Supreme Court made it clear, however, that these lawsuits must be circumscribed to administrative acts, and not those that result from foreign official authority [imperio de autoridades extranjeras], because the latter affects those states' sovereignty, while administrative decisions do not.

The lawsuit was filed by several former Soviet Embassy employees claiming compensation for damage derived from the embassy's failure to contribute to the social security system and union funds or to grant them family allowances.

In the lawsuit, the plaintiffs claim they had labor relations with the embassy's press office during the period they worked for the magazine "SOVIET NEWS."

Plaintiffs directed the lawsuit against the Russian Federation Embassy because of the political changes in the former Soviet Union.

In the decision, the Supreme Court set aside the principle of the immunity of foreign states that had prevented lawsuits against them in Argentina, and made the doctrine of sovereign immunity more flexible, "thus bringing our legislation to the level of first world countries."

The court differentiated between administrative acts—such as labor relations—and official acts, which are those carried out within the framework of the sovereignty proper to government acts.

The court resolved the case of incompetence resulting from a lower court decision that was confirmed by the Second Circuit Appeals Court, and ordered the case returned to the court were the case was first heard. The Supreme Court did not make any comment on the plaintiffs' claim.

FrePaSo Announces Presidential Platform Guidelines

PY2212235694 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1938 GMT 21 Dec 94

[FBIS Translated Text] Buenos Aires, 21 Dec (NA)—The four groups that make up the Front for a Country in Solidarity (FrePaSo) [Frente del Pais Solidario] today announced the guidelines of its platform for the May 1995 elections. The platform mainly involves "an honest administration, new jobs, and improving the quality of education and technology."

The main leaders of the Grand Front [FG], PAIS [Open Politics for Social Integrity], Socialist Unity [US], and Christian Democratic Party [PDC] discussed the FrePaSo platform for the 1995 elections within the framework of sessions at the Unione e Benevolenza Club, with the participation of 500 FrePaSo experts.

With the slogan "Clean Hands Free to Govern" ["Manos Limpias y Libres para Governar"], the FrePaSo leaders released a 10-page document in which they claim that another Menem term merely "involves more of the same."

The FrePaSo document notes: "Society knows that another Menem term merely involves more of the same. It also recognizes the demagogic overture, which, without any substance, transforms politics into a show of images, without proposals or ideas."

The FrePaSo platform "represents an antithesis to corruption, arbitrariness, the doubling of unemployment, neglected education, and a lack of goals; all of which are the result of five years of Menem's administration."

During the news conference at which the FrePaSo platform was announced, FG leader Carlos "Chacho" Alvarez said he is convinced a "significant portion" of the GDP and the national budget "is devoured by corruption." He emphasized that if his alliance wins the elections, "the aberrant privileges enjoyed by politicians and government officials" will end.

"Chacho" Alvarez indicated that his alliance proposes "hope against the fear produced by Menemism and populist strategies." He emphasized that President Carlos Menem "frivolously plays with the conundrum" of appointing his running mate.

Senator Jose Octavio Bordon noted that President Menem "is a very sly man in the field of elections." He emphasized that if the president believed FrePaSo ranks third in the polls, "he would not always be talking about us."

"Chacho" Alvarez stressed: "Corruption must be fought through an independent legal system and by appointing honest men from opposition parties to the controlling agencies."

The FG leader said: "Society begins to abet corruption when it sees corrupt government officials, leaders, and legislators protected by people in power."

Bordon noted that when he was Mendoza governor from 1987 to 1991, "the division of government branches was respected." He pointed out that the legal system "was independent" during his tenure as Mendoza governor.

Bordon noted: "We represent the only opposition to Menemism because our sector, and not other parties, was the only one to debate with the ruling party on such issues as the post office privatization, the budget, and the situation of the retirees."

The FrePaSo sessions began yesterday, with the participation of FG, PAIS, US, and PDC leaders. It was announced today that these sessions would also be held in Carlos Paz (Cordoba Province) on 14 and 15 January; in Mar del Plata on 21 and 22 January; and in a city in the northwest on 28 and 29 January.

FrePaSo experts will meet in Cuyo on 4 and 5 February; in the northeast on 11 and 12 February; in Santa Fe on 15 February; in the Patagonia on 18 and 19 February; and the closing sessions will be held in Buenos Aires on 22 February.

FrePaSo professionals and experts discussed justice, education, health, labor and social policies, communications and culture, state activities, women, economy, international policy, environment, and struggle against corruption.

Humberto Tumini Launches Presidential Candidacy

PY2412013094 Buenos Aires TELAM in Spanish 0027 GMT 22 Dec 94

[FBIS Translated Text] Buenos Aires, 21 Dec (TELAM)—Humberto Tumini, the top "Free Fatherland" leader, today formally became a presidential candidate. He voiced support for again nationalizing the strategic state-owned enterprises, gas and oil.

Tumini emphasized: "We want a federal and independent nation, with a strong state. We support again nationalizing the strategic state-owned enterprises, gas and oil. We want respect for the provinces and the promotion of development."

Tumini noted that his group rejects "all illegitimate foreign debt payments" and wants "a country with a sovereign foreign policy, which has never given up the Malvinas Islands and shows solidarity with all assailed nations, especially Cuba."

Tumini said: "We reiterate the people's right to social justice, work, honorable wages and pensions, education, health, and their own housing. And we emphasize that repressors and corrupt people belong only in jail."

During a news conference at the "El Tortoni" cafe this afternoon, Tumini said: "People are standing up against misery and surrender."

Tumini asked "the entire national and the combative left to join forces under the 'Resistance Front' ["Frente de la Resistencia"] to wage a battle in the upcoming elections against the supporters of neglect, injustice, and dishonor."

UCR Economic Platform for May Elections Highlighted

PY2312011694 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1158 GMT 22 Dec 94

[FBIS Translated Text] Buenos Aires, 22 Dec (NA)—The economic proposal of the platform that the UCR [Radical Civic Union] will present in the May 1995 elections emphasizes the need to pursue "an alternative path of growth with equity," and notes that this will be achieved by protecting stability.

The UCR proposal also places emphasis on championing the federal system, on Argentina's integration into the Latin American markets, and on the state's role in planning and implementing investment and savings policies.

The UCR proposal raises the UCR's main concern over the increase in the unemployment rate and blames it on "the unequal opening" of the markets and "the state's administrative streamlining," which, according to the UCR, was implemented "without a social security network."

The UCR's economic proposal was drawn up by a group of experts coordinated by former Deputy Raul Baglini from Mendoza Province. The group was made up, among others, by Jose Luis Machinea, Ricardo Lopez Murphy, Adalberto Rodriguez Giavarini, Pablo Gerchunoff, Roberto Frenkel, Oscar Reyes, and Martin Hourest.

Although the UCR proposal does not raise the possibility of reviewing the privatization of public service companies, it emphasizes the possibility of increasing controls through regulating agencies.

The UCR overture also proposes developing the markets so that Argentina can integrate itself into the world under competitive conditions. It also proposes promoting a labor reform so that the companies can adjust themselves to current market conditions.

After criticizing the Justicialist Party's 1989 campaign guidelines, "which promised a productive revolution and huge salary increases," Baglini emphasized: "You will not find any empty promises in this platform."

The economic platform also promotes the discussion of a new law on shared federal taxes during the 1995 legislative period, and emphasizes that this new law must be based on "equal opportunities and the protection of regional economies."

Bolivia

Commentary: Trade Proposal Disadvantage for Poor States

PY2712224394 La Paz PRESENCIA in Spanish 17 Dec 94 p 2

[Commentary by Ivan Paz Claros: "Summit of the Americas"]

[FBIS Translated Text] In truth, the recent summit of the Americas held in Miami, Florida has put the backward countries at a great disadvantage with regard to the free trade proposal made by the most developed country on earth, headed by U.S. President Bill Clinton.

At least Bolivia, which has a gross domestic product almost as low as Haiti's, will not be in condition to meet the challenge of the multilateral free trade started one year ago by the United States, Canada, and Mexico.

Our president said more than enough and his exaggerated optimism shows he hopes his policy of "changes" such as the capitalization of state companies will make Bolivia's presence on the international scene possible.

This is interesting rhetoric that does not correspond to reality and to the economic growth of the country, which will require many years to extricate itself from poverty. Also, the "changes" proposed by the government did not seriously consider the situation and future of the population, comprised mainly of peasants. They only took into consideration an alleged solution at the urban level.

The peasant population, which subsists in horrible poverty, cannot be an important factor in the so-called capitalization process because the country's hundred-year-old backwardness keeps the population in an environment without drinking water, sewer systems, or electricity, and with less than $0.20 per day to cover its needs.

It is asserted that free trade will spur the integration and development of poor regions. This is a good intention. We hope the United States will not continue to keep Latin America as its back courtyard and only for producing raw materials. In this hemisphere, the United States implements its so-called new international political order policy without making a serious contribution toward development with national sovereignty and independence.

But because of the unequal socioeconomic conditions, it is not possible to expect peace and prosperity in the immediate future in Latin America, where growth continues but the poor remain poor. In Bolivia, the poor are getting poorer. There is need for a social policy to eradicate backwardness, a policy with a new economic model for the benefit of society, without privileges for the elite linked to the multinationals, which dislike free trade among backward countries.

Although the Summit of the Americas had the virtue of gathering the presidents of the hemisphere, as was done in the past by Roosevelt through the Good Neighbor Policy and by Kennedy through the Alliance for Progress, it has not gone beyond the declaration of a new utopia, wherein the backward countries feel capable of competing under the same conditions as developed countries with a per capita income exceeding $3,000.

Time will tell whether we are right about the developed countries. The United States, which heads the Group of Seven, always concentrated its economic and political resources in Europe, leaving the hemisphere of the Americas as a reserve. But now, strangely enough, it is trying to erase that image with a summit at which Cuba was absent for ideological reasons that are not forgiven by the new international political order.

President's 15 Months in Office Analyzed

95SM0086B La Paz HOY (HOBBY SUPPLEMENT) in Spanish 28 Nov 94 pp 4-6

[Article by Janett Oporto: "The Thorns on the Rose: Confessions of Presidential Spokesman Ernesto 'Machi' Machicao One Month Before Year's End"]

[FBIS Translated Text] *Among the sources of satisfactions—and headaches—for Gonzalo Sanchez de Lozada's administration less than one month before the end of 1994 are the structural reforms it has introduced; its handling of the government coalition; the capture of Luis Garcia Meza, and the subsequent efforts to return him to Bolivia and confine him in Chonchocoro prison; the campaign against the narcotics traffic; and the degree of attention given to social demands.*

"Not everything is rose-colored," the government's official spokesman acknowledged, in a coincidentally suggestive reference to the official color of his party—the MNR [Nationalist Revolutionary Movement]—made at a time when the government's performance over the past slightly more than than 15 months is being evaluated.

Ernesto Machicao insisted that without a congressional majority, any administration would have found it difficult to implement a strategy of action.

He said the coalition government had made good progress but was careful to add that some mistakes had been made as well.

Fortunately, he said, the MBL [Free Bolivia Movement], MRTKL [Tupac Katari Revolutionary Movement of Liberation], MPP [Popular Patriotic Movement], MUP [expansion not given], and UCS [Solidarity Civic Union] political parties are associated with the government's plan and concur in its implementation.

"You cannot shade your eyes from the sun with only one finger," Machicao said, "and we must therefore also acknowledge that there have been some problems with the UCS and especially with its leader Max Fernandez—problems that fortunately were resolved. The split of the UCS into two factions has enabled the government to retain its working majority in Congress—the venue where the laws are ultimately enacted that will enable the government to carry out the country's transformation."

A Wobbly Steamroller

Machicao insisted that despite the situation through which the coalition is passing—a situation that the opposition parties tried to exploit to their great advantage in order to weaken the congressional majority—there was never any fear of losing that majority.

"We should remember," he said, "that this is the first democratic government to implement—during its term in office—the proposed plans that had won it the presidency. From 1982 to 1993, no government carried out the plans it had made during the election campaigns."

He recalled that one of the principal planks in the platform of the former Patriotic Accord was a plan to relocate the 21060. The party never did implement the plan and on the contrary enacted laws that it had not promised, such as those authorizing the privatization of public enterprises.

"This government promised capitalization, public participation, and educational reform—and it is carrying out those promises," Machicao emphasized.

In this connection, he said, a democratic system has been developed that is still not perfect, but added that the constitutional amendments and laws that were enacted represent an improvement of the system.

One of these laws, he explained, provides for reorganization of the Executive Branch, which has already undergone changes as of last Thursday 24 November. He said other changes "that will enhance the functionality of the government" are likely to follow.

"As is the case with any task," he said, "we are now engaged in fine-tuning and perfecting these changes, and we shall accordingly carry on this process at other levels."

He gave assurances that the creation of a new cabinet post is not being considered but that administrative changes in the secretariats, undersecretariats, and directorates of the national government are under consideration.

Participation Promise Kept

Machicao said that the public participation program may best exemplify the progress made in implementing the Plan for Everyone [Plan de Todos]. It is the most successful of the programs being implemented by the government and is endorsed by government supporters and opponents alike and by the public in general.

He said that the proposed democratization of capital is yielding its first fruits, and that on President Sanchez de Lozada's various trips—as for example to Potosi and Trinidad—the chief executive was able to see this for himself. Moreover, the mayors told him that they are receiving the money for their projects.

"These ground-breaking steps," he declared, "represent the most extensive redistribution of wealth in the history of Bolivia since the era of agrarian reform."

Employment: A Painful Problem

The government's answer to the problem of fulfilling satisfactorily its campaign promise to create sources of employment—one of the weak points of this administration—is a program of capitalization. The government hopes that under this program capital will be invested and that this will translate into job creation and intensified growth of the nation's economy.

"At the present time," Machicao said, "we have an economy that is growing at a rate of better than 4 percent. We estimate that from now until the end of the year the economy will grow between 4.3 and 4.5 percent, which are respectable indices and to some extent are creating sources of employment. This does not mean, however, that the unemployment problem is being solved."

We are asking only for a "little" patience, Machicao added. The government, he said, is concerned, but it is also confident that it can keep its promise, and the first fruits are near at hand. The new year is just around the corner, he said, and that means fulfillment of our promises is also near at hand.

The VAT [value added tax] Headache

Reduction of the value added tax, Machicao said, is a campaign promise that will obviously be kept.

On the day that this administration relinquishes its authority, he said, you can be sure that this tax will have been lowered to the previous rate.

He pointed out that the VAT was 10 percent during the administration of Dr. Victor Paz Estenssoro in 1989, and that it had been raised to 13 percent by the administration of the former Patriotic Accord.

"We intend to lower it to the level at which we left it," he said.

"That is no easy task," he continued, "because we took over the government that had a very large deficit equal to approximately 6 percent of the GDP. This fact has so far hindered a reduction in the rate of the VAT—which under this administration is being lowered to 3 percent—but the ultimate objective is to fulfill our promise."

Between Narcotics Traffickers and Coca Growers

While acknowledging and lamenting the fact that the coca and cocaine problem is not one of the basic features of the "Plan for Everyone," Machicao said that this problem represents a challenge not only to the government but also to society as a whole.

He justified the omission [as published] of this problem in the plan by recalling that in 1987 the government developed a plan for combating the narcotics traffic, the Coca Crop Substitution and Development Plan (PIDYS)—embodied in Law 1,008—which establishes the existence of surplus coca, the regions where coca is a traditional crop, and also the rapidity with which the coca plantings should be converted to other crops.

Machicao repeated his warnings to the effect that the narcotics traffic is attacking our country with greatly increased force because Bolivia is not only growing the coca leaves that are the raw material for cocaine, but it is also producing cocaine.

"We are facing a dangerous situation that is caused by narcotics, organized crime, corruption, violence, and the threat of destabilization of the nation's institutions, which are still fragile," he said.

"Law 1,008 and the plan to develop alternative crops are no longer sufficient," he observed. "We need a more aggressive policy of national consensus."

In the government's opinion, the antinarcotics campaign involves all sectors including the Church, the press, the political parties of both the government and the opposition, and—in particular—all of the peasant farmers.

"To oppose a strategy of struggle is to say yes to the narcotics traffic, and no one is in favor of that," Machicao said.

The strategy for the antinarcotics campaign will have a high content of social justice so that the peasants will not be harmed, the government's official spokesman explained.

"The government has an obligation to free the peasants from the coca-cocaine circuit," he continued. "They are victims of the narcotics system, which has them sequestered for growing the coca that is converted into cocaine."

Garcia Meza, a Complex Petal

"It was this government that captured Garcia Meza," Machicao said, "and so I feel terribly disappointed every time I hear the opposition political leaders say that this administration has been negligent in its treatment of this subject."

He said the previous administration had four years to take Garcia Meza into custody but did not do so, and insisted that it therefore cannot allow itself the luxury of criticism.

"Every effort is being made to bring him here," he said, "solely out of respect for Bolivia's laws that establish that the decisions made by the Bolivian courts must be carried out. Garcia Meza will be arriving in Bolivia and at Chonchocoro prison sooner or later," said this spokesman for the president, who—his enemies predict—will soon be replaced.

New Economic Development Minister Profiled

95SM0085A La Paz HOY in Spanish 28 Nov 94 p 12

[FBIS Translated Text] He prefers to be thought of as a reasonable and serious professional, he claims that a political career is not his goal, and despite assigning the greatest importance to the capitalization process, he is convinced that it is not everything.

"Capitalization is important, but the country is more important than the process," says Jaime Villalobos Sanjines, a prominent 47-year old geologist, as of four days ago the new minister of economic development for President Gonzalo Sanchez de Lozada.

Homesick for geology, to which he hopes to return at the end of his tenure as minister, Villalobos' government philosophy basically proposes to support capitalization, but also to look after the private sector's needs. He will become an interlocutor in the executive branch for requests from artisans, small farm operators, small exporters, and merchants.

"I will be an interlocutor for those sectors; they asked for attention and the government will look after them," Villalobos said.

"I do not want the public's perception of me to be that I will be completely wrapped up in capitalization," he insists.

Yesterday, Sunday, at around noon, this minister who said he was overwhelmed and honored by such presidential trust, received HOY in his home. Together with his wife and three children, he related how his family and professional life would affect the expectations that the president, the government, and the country have of him.

Not concealing his pride in declaring himself an independent, he recalls that he was named minister of mining and hydrocarbons in January 1985 by then President Victor Paz Estenssoro, and that he headed the ministry until the end of that administration.

Villalobos, who had met his wife a few moments earlier at El Alto airport, where she had just arrived from a congress on tourism in Cochabamba, said that he does not like the idea of a partisan political career and that he prefers to work at the professional level, to serve the country when it needs him.

Villalobos, a graduate of La Salle high school, does not share the view that defines the government's policy as "neoliberalism," but rather as a free market strategy that encourages competition, while not forgetting social content.

Not Only Capitalization

Villalobos, with a doctorate in geology and much experience in mining development—he was founder and manager of the Mining Exploration Fund, assisted in the creation of the stock market and worked as a technical manager in private enterprise—is convinced that capitalization will promote the country's economic growth.

Before being appointed minister, he was head of the National Secretariat of Mining, but from now on, his principal mission, entrusted to him by President Gonzalo Sanchez de Lozada, will be to support the capitalization process and Popular Participation, as well as to work for the country's economic growth.

"I will concern myself with the economic problems of businessmen, workers, small businessmen, peasants, artisans, miners, and exporters, to encourage economic development, while supporting capitalization, because the country is much more than the process," Villalobos said.

To carry out that responsibility, he will coordinate his work with the national secretariats of Mining, Energy, Industry and Commerce, Agriculture, Tourism and Transport, and Communications, said Villalobos, recognizing that it will be a great responsibility, and that he will begin to plan and supervise the activities of his sector.

An Objective, Seven Percent Growth

In the presence of his wife and of his children, Juan Pablo, 15 years of age, Andres of 12, and Maria, nine, Villalobos recognized that a giant leap forward in economic growth would not be possible, but development would be achieved as a result of capitalization, together with Popular Participation and greater attention to the private sector.

"With all that the government is trying to do, such as the reforms, growth of seven percent is attainable," said Villalobos.

He said, however, that he will not occupy himself exclusively with the capitalizing process, but that he will also attend to the private sector, artisans, small businessmen, farmers, and merchants, among others, so that there will be greater coordination, and that they will be able to contribute more to the growth that the government is seeking.

"There must be more coordination among these sectors and that is the reason for an interlocutor. Beginning with my administration, the private sector will be heard, since they have asked for attention, and the government, through the Ministry of Sustained Development, will tend to their needs," the minister said.

The Entrepreneurial State Will Disappear

With regard to the 1995 budget and problems that will be caused by workers' wage increases, Villalobos said that state-owned firms will have to take care of these problems and resolve conflicts.

He stated very optimistically, however, that this situation will end when the six firms are transferred to the private sector and are administered with a different mentality, where competitiveness and efficiency prevail.

"The entrepreneurial state that runs inefficient enterprises must come to an end, because it has cost the country dearly. With the arrival of investors, the entrepreneurial culture will change, because there will be more competition and better treatment for workers," he noted.

Meanwhile, he said, the next budget will try to produce greater growth, within the country's possibilities, so as not to create an inflationary situation that would help neither the country nor the Bolivians.

Living From His Profession

With vast experience in economic development—he was a consultant at the IBRD [International Bank for Reconstruction and Development] and the IDB [Inter-American Development Bank], as well as at the United Nations—Villalobos expects to do his work well, and not need more than his profession to live decently."

"Let me be seen as a serious and acceptable professional, who gives service where needed, since basically I miss geology and mining work. I own an exploration firm and when my government service ends, I would like to return to my profession," he added.

In reply to a question, he said: "I do not feel called upon to say anything on political matters, because a political career is not one of my goals; it is not my vocation, which is to serve the country."

Villalobos on Capitalization

95SM0085B La Paz HOY in Spanish 28 Nov 94 p 11

[Report on Interview with Minister of Economic Development Jaime Villalobos by Jessica Fernandez Saravia; place and date not given]

[FBIS Translated Text] The government is aware of the difficulties it will have to face in the capitalization of three of the country's six most important state enterprises, but it is determined to "beautify" them as much as possible in order to find their respective "strategic partners."

"It is certainly not an easy process, because what we are offering has some good things, but it also has problems," the brilliant minister of economic development, Jaime Villalobos, recognized yesterday in an exclusive interview with this newspaper.

"We are going to make every effort so that they will all be capitalized within the established timetable, even the most difficult ones," said the minister, one of whose missions is to support and speed up the capitalization process.

Coincident with other analysts and ministers, Villalobos admitted that the state-owned airline, as well as the railroads and the metal smelter Vinto, will offer the most problems when it comes to landing foreign partners.

Careful With Viru Viru

On the other hand, the government has real cosmetic prescriptions.

In the case of Lloyd Bolivian Airways, apparently the state firm with the worst reputation among the "difficult enterprises," Villalobos did not rule out the possibility of capitalizing it, together with Viru Viru airport at Santa Cruz, the largest and most modern airport in Bolivia, just as Minister of Capitalization Alfonso Revollo had foreseen.

"The subject is under study," said the minister of economic development.

According to Revollo, the addition of Viru Viru to the airline "package," or even of the profitable Auxiliary Air Navigation Services Administration (AASANA), would be possible variables in "beautifying" Lloyd, which already had met with failure in 1987, when a previous government had tried unsuccessfully to privatize it.

From Vinto to Karachipampa

A similar state of affairs exists in mining.

"The Vinto Metallurgical Enterprise, a tin smelter that never managed to operate at full capacity, will be made available with tin-producing mines, or even with the Karachipampa plant, which is equipped to smelt other metals, such as antimony, lead, and silver," said Villalobos.

"To capitalize a foundry by itself is not very attractive, inasmuch as the positive side of capitalization is that an injection of capital comes in to expand the business."

"Then, an additional investment would have to be made for the development of new mines and the improvement of them, in order to reach the levels of development of mining centers that are complementary to foundries. This will make for larger investments and increased potential for expansion," Villalobos explained.

According to the minister, the government hopes that capitalization of the sector will enable current mining exports of $300 million per year to reach at least $1 billion.

ENFE, the Third Challenge

"Interconnection" is the key word in railroad matters and, in Villalobos' opinion, the unification of the country's two railway systems—Eastern and Western—is crucial in order to convert the unattractive National Railway Enterprise (ENFE) into one of the biggest transportation businesses, not just in Bolivia but in South America.

"This is a difficult but important sector," commented the minister, when he explained that the interconnection of systems will permit the extension of a continuous route between Brazil's southwest provinces and ports on the Pacific, which will lower shipping costs between the two areas.

An expert economist close to the government said recently that uniting the two rail systems would require an investment of about $600 million.

Villalobos was emphatic, nevertheless, in stating that this task will have to be taken on and financed by the strategic partner that decides to capitalize ENFE.

"What is lacking is to connect Cochabamba and Santa Cruz; in any case, the hardest part is already done," the minister said.

Brazil

Cardoso's New Cabinet, Advisers Profiled

Biographical Data on Cabinet

PY2312020094 Rio de Janeiro JORNAL DO BRASIL in Portuguese 18 Dec 94 p 3

[FBIS Translated Text] Two days before President-elect Fernando Henrique Cardoso officially announces his cabinet, the names of those who will head the Foreign Ministry, the Science and Technology Ministry, and the Navy Ministry, as well as the Federal Administration Secretariat, remain unknown. The appointment of current Paraiba Governor Cicero Lucena is not very certain, because the PFL [Liberal Front Party] and the PSDB [Brazilian Social Democracy Party] radically oppose his appointment. Here is a list of those chosen:

Pedro Malan (Finance Ministry)—He is an engineer with a masters degree and Ph.D. in economics from the University of California. He is one of Cardoso's best friends. Malan is an expert at the IPEA [Applied Economic Research Institute] and negotiated the Brazilian foreign debt while Marcilio Marques Moreira was at the head of the Finance Ministry. He became well known in the country during the decade of the seventies. At that time he criticized the economic policy while occupying the presidency of the Economics Institute in Rio de Janeiro. Malan has occupied several positions abroad, and has been director of several UN organizations, the World Bank, and the Inter-American Development Bank (IDB).

Nelson Jobim (Justice Ministry)—He is a jurist and a university professor. He was elected deputy for Rio Grande do Sul by the Brazilian Democratic Movement Party for two terms. He led his party in the Constituent Assembly, and was assistant rapporteur in the drafting of the 1988 Constitution. He was also a rapporteur during the Constitutional revision, when he supported an end to state monopolies. He did not run for reelection, and has been heading the work group that is drafting proposals for Cardoso's constitutional reforms.

Gustavo Krause (Environment and Water Resources Ministry)—A lawyer and entrepreneur, he served two terms as a Pernambuco PFL deputy. He has been finance minister, and ran as a gubernatorial candidate in Pernambuco in this year's elections. He was appointed mayor of Recife in 1979, was vice governor on Roberto Magalhaes' ticket in 1982, and was the most voted for

Recife councilman in 1988. He began his public life in 1975 as finance secretary in Moura Cavalcanti's administration.

Jose Serra (Planning Ministry)—An engineer with a Ph.D. in economics, he has been appointed to the Planning Secretariat at the age of 52, after serving two terms as a deputy and being elected senator for Sao Paulo. He was president of the National Union of Students (UNE) and was a Popular Action (AP) militant in his youth. During the military dictatorship Serra lived in Chile as an exile. Back in Brazil, he was economy and planning secretary during Franco Montoro's administration in Sao Paulo (1983 to 1986). Since the days when Tancredo Neves was organizing his government in 1985, he has been considered for various ministries.

Paulo Paiva (Labor Ministry)—Without a background in politics, he was a supersecretary in Helio Garcia's administration in Minas Gerais, where he headed the area of planning. He graduated in demography at Juiz de Fora Federal University (Minas Gerais). He also has a Ph.D. degree from the University of Pennsylvania (United States). Paiva is 54. He was a militant of the University Youth of the Catholic Faith (JUC) and of the State Students Union (UEE). He is linked to the Juiz de Fora group [comprised of President Itamar Franco closest aides], and in 1986 was coordinator for President Franco's electoral campaign for Minas Gerais government.

Dorothea Werneck (Industry, Commerce and Tourism Ministry)—An economics professor, she became famous for her easy smiles while labor minister during the Jose Sarney Administration. As economy secretary during the Fernando Collor Administration, she headed quality and competitiveness programs. After leaving government, she worked for the Trevisan Associated Consultants company. She left the company to organize the National Quality and Competitiveness Forum and to give lectures on the topic.

Brigadier Mauro Jose Miranda Gandra (Aeronautics Ministry)—He currently heads the Aeronautics General Staff and is a trusted aide of current Aeronautics Minister Lelio Lobo. He is considered a professional military officer, discreet, and wary of political negotiations. His appointment gives continuity to Brigadier Lobo's administration, and will thus facilitate transition inside the Brazilian Air Force (FAB).

Paulo Renato Souza (Education Ministry)—An economist, he coordinated the drafting of Cardoso's government program, and has been coordinating the transition team since Cardoso' election. Until the beginning of the president-elect's electoral campaign, he was operations vice president at the IDB. He was education secretary during Franco Montoro's administration (1982-1986), and has been rector of Campinas University. In the 1970's, he was UN consultant in Chile, when he met Cardoso, who was exiled in that country. When Cardoso became finance minister he invited Souza to head the National Bank for Economic and Social Development.

Adib Jatene (Health Ministry)—A renowned cardiologist and surgeon, his appointment was supported by all other members of the cabinet. He was Sao Paulo health secretary during Governor Paulo Maluf's administration, and health minister during President Fernando Collor's administration. Jatene believes that if resources are well distributed and used, the collapse of the health sector can be solved. He deems it a priority to implement programs to salvage the current health and prevention network. In his opinion, the government should only invest in expanding this network after the sector's accounts are balanced.

Jose Eduardo Vieira (Agriculture Ministry)—He is president of the Brazilian Labor Party (main shareholder of Bamerindus Bank) and owns several farms. He began his political life in 1990, when he was elected senator for the State of Parana. He supported Collor's administration, and then supported his impeachment. He was appointed industry and commerce minister during President Itamar Franco's administration, and for some time headed both the Agriculture and Industry and Commerce Ministries. He was a candidate for the presidency of the Republic, but then decided to give up his candidacy and support Cardoso's.

Clovis Carvalho (head of the Civilian Household)—He was indicated for the position of executive secretary of the Finance Ministry by Jose Serra and PSDB Secretary General Sergio Motta. He was vice president of the Villares industrial company. During Franco Montoro's administration he was assistant planning secretary, together with Jose Serra, whom he later replaced. Carvalho is an engineer. He graduated from the Polytechnic School of Sao Paulo University. The transition team considers him a very effective manager. He led the team discussions while the Real Plan was being drafted.

Sergio Motta (Communications Ministry)—An entrepreneur, and the owner of the Hidrobrasileira project designing company, Motta was the operational coordinator of Cardoso's electoral campaign. He also coordinated Cardoso's campaign for Sao Paulo mayor in 1985, and Mario Covas' presidential campaign in 1989. He was one of the founders, and main executives, of the weekly MOVIMENTO, which opposed the military regime in 1975. He was a leader of the AP, a leftist Catholic organization that led student politics during the 1960's.

Arnaldo Leite Pereira or Jose Julio Pedrosa (Navy Ministry)—At the head of the Armed Forces Joint Staff, Adm. Leite Pereira took over the military fight for better salaries. He is the favorite candidate of current Navy Minister Admiral Ivan Serpa and President Itamar Franco. Admiral Pedrosa is Naval Operations commander, and his appointment to the Navy Ministry is supported by Admiral Mario Cesar Flores, head of the Strategic Affairs Secretariat.

Francisco Weffort (Culture Ministry)—A sociologist and former secretary general of the PT [Workers Party], Weffort is the main surprise offered in Fernando Henrique Cardoso's cabinet. He was one of the founders of the PT, and he was considered for the vice presidential candidacy on Luiz Inacio Lula da Silva's ticket when Senator Jose Paulo Bisol (Brazilian Socialist Party) had to be replaced. A respected intellectual, Weffort left the PT to accept the Culture Ministry. In 1990 he was almost expelled from the PT because he said he believed Marxism was outdated.

Cicero de Lucena (Regional Development Secretariat)—Current Paraiba State governor. He was elected vice governor on Ronaldo Cunha Lima's ticket in the 1990 elections and then appointed head of the civilian household. He is a civil engineer and an entrepreneur. He has been president of the Civil Construction Industry Union. He is in favor of implementing the project to detour the Sao Francisco River waters. His father is a second cousin of Senator Humberto Lucena, Senate president.

Reinhold Stephanes (Social Security Ministry)—He is serving his fourth term as federal deputy for Parana State for the PFL. He specializes in hospital administration, and was social security minister during the Collor administration. He handed an organized and improved ministry to his successor, Deputy Antonio Britto, who continued to implement his policies and kept his advisers in their positions. He has been head of the Parana State National Social Security Institute and has been agriculture secretary and director of the National Land Reform and Settlement Institute office in his state.

Raimundo Brito (Mines and Energy Ministry)—He is a lawyer. Currently he is the Bahia State transportation secretary and also a trusted aide to former Governor Antonio Carlos Magalhaes (PFL), who was elected senator in the last elections. In the 1990 electoral campaign he was Magalhaes' electoral lawyer. He has already been a director of the Caraiba Metais Company, which is owned by the government of Bahia, and sanitation secretary in his state. Magalhaes indicated him to the Transportation Ministry, but he ended up being appointed to another ministry.

Odacir Klein (Transportation Ministry)—He was elected to his fourth mandate as federal deputy for Rio Grande do Sul for the PMDB. He has been councilman and mayor of the town of Getulio Vargas (1967-1975). He was leader of the MDB [Brazilian Democratic Movement] bloc in 1981. He was also vice gubernatorial candidate on Pedro Simon's ticket in 1982, when Jair Soares, of Arena [National Renewal Alliance] was elected. During Simon's mandate as governor (1986-1900), he was president of the Rio Grande do Sul State Bank and his agriculture secretary. He was also president of the Federation of Wheat and Soybean Cooperatives.

Zenildo de Lucena (Army Ministry)—The success of the Rio Operation in fighting organized crime, the Army support for the Real Plan, and Cardoso's decision to create the Defense Ministry have given General Lucena credentials to remain in his position. Lucena is considered a liberal military man, and gained the respect of his troops when he began to reorganize the small funds allocated to the Army in the national budget. His mission will be to neutralize any resistance to the implementation of the Defense Ministry.

General Benedito Bezerra Leonel (Armed Forces Joint Staff, Emfa)—He is the most senior Army officer after Minister Lucena. Gen. Leonel's mission is to organize, and put into operation, the future Defense Ministry. At Emfa, he will organize the Brazilian military policy and redistribute functions. In November 1995, he will retire. Leonel is one of the most respected officers in the Armed Forces, and is internationally consulted about western world military affairs. He was recently the only Brazilian officer to participate in the discussions held at the Pentagon about the invasion of Haiti. He currently heads Emfa.

The Multifaceted Ones

Jose Serra—Cardoso thought about his name for the Education Ministry, although what Serra really wanted was the Finance Ministry. After refusing the Education Ministry, he was considered for the Industry, Commerce, and Tourism Ministry, and even for the Foreign Affairs Ministry. As a result of broad political negotiations, he was appointed to the Planning Secretariat.

Roberto Muylaert—He was mentioned for the Culture Ministry, but ended up being chosen for the National Social Communication Secretariat.

Paulo Renato de Souza—Coordinator of Cardoso's government program and of the transition team, he was practically confirmed by Cardoso for the Planning Secretariat. After the Serra affair, he was considered for the Foreign Affairs Ministry, and finally for the Education Ministry, for which he was finally confirmed.

Gustavo Krause—He was the natural candidate to occupy the Regional Development Secretariat. When it became clear that Serra did not want the position, the PFL tried to obtain his appointment for the Education Ministry, but he ended up as environment and water resources minister.

Sergio Motta—He wanted to head the Mines and Energy Ministry, an area in which he is an expert, but he ended up as communications minister.

Nelson Jobim—From the beginning, Cardoso considered him for the Justice Ministry, where he was finally confirmed. While the PMDB's support of Cardoso's administration was being negotiated, he was considered for the Counsel General's Office and the Foreign Affairs Ministry.

Odacir Klein—He had been included in Cardoso's list as agriculture minister, but he was confirmed for the Transportation Ministry.

Raimundo Brito—He was indicated by Magalhaes for the Transportation Ministry but, as this ministry was given to the PMDB, he ended up as head of the Mines and Energy Ministry.

Those Passed Over

Fabio Feldman (PSDB deputy for Sao Paulo)—His appointment to the Environment Ministry was supported by national and international environmentalists, but he has never been forgiven for having initially rejected his party's alliance with the PFL and the PTB.

Euclides Scalco (former PSDB deputy for Parana)—He rejected the invitation to coordinate the social programs, alleging that he would not have the autonomy to ensure the implementation of these programs.

Ciro Gomes (former PSDB governor for Ceara and current finance minister)—He was offered several ministries, including the Health Ministry. He has been experiencing friction with the economic team and the future planning minister, Jose Serra. As a result, he preferred to go on to Harvard University (United States) to study.

Joao Elisio Ferraz Campos (former Parana vice governor)—He was indicated for the Agriculture Ministry by Senator Jose Eduardo Andrade Vieira (PTB-PR). His name was vetoed by Senator Jose Richa and Alvaro Dias, president of the Popular Party.

Luis Antonio Fleury (Sao Paulo governor)—He was indicated by the PMDB for one of the ministries reserved for the party. His name was vetoed by Cardoso after consultation with Senator Mario Covas (PSDB-SP), who was elected Sao Paulo governor.

Michel Temer (PMDB deputy for Sao Paulo)—The PMDB considered him for the Justice Ministry, but the Sao Paulo office of the PMDB did not support him and become divided about it, thus weakening the candidacy.

Personal Advisers Profiled

PY2712234594 Rio de Janeiro O GLOBO in Portuguese 25 Dec 94 p 8

[Article by Deniese Rothenburg, Jorge Bastos Moreno, and Rodolfo Fernandes]

[FBIS Translated Text] President-elect Fernando Henrique Cardoso does not appoint anyone without first running it past Eduardo Jorge Caldas Pereira. He does not grant interviews without talking it over with Ana Tavares, nor does he make a speech without the help of Eduardo Graeff. As of 1 January 1995, these three musketeers will be in charge of the incoming president's day-to-day activities. Cardoso will take his personal advisers Caldas Pereira, Tavares, and Graeff to Planalto Palace.

The three have been working with Cardoso for more than 10 years, and the new president will not have to worry about any gossip; they are loyal friends. To keep them close to him, Cardoso broke the firm administrative rules of Itamaraty [Brazilian Foreign Ministry]: He was the only foreign minister to have nondiplomats as private secretary (Caldas Pereira) and press adviser (Tavares). Cardoso's three advisers went with him to the Finance Ministry, worked like mad during the electoral campaign, defeated transition intrigues, and are about to join the new administration unchanged: Discreet as always, and more loyal than ever.

Sociologist Eduardo Graeff, Cardoso's adviser for 11 years, is certain to set up shop at Planalto Palace. He will be both the head of the president's congressional secretariat and his ghost writer [preceding expression in English], which puts him in charge of reviewing Cardoso's handwritten drafts. Graeff is discreet and he does not like to discuss his role as the president's official writer.

"That is just one of Ana Tavares' pranks. Fernando Henrique keeps this issue very close to his chest. Most of his speeches are impromptu. Whenever he does write, it is by hand. I just review it and end up being regarded as the ghost writer," Graeff explains, trying to downplay his role.

He claims to be an adviser who oversees the technical aspects of the projects. Cardoso, however, has told friends that Graeff does a lot more than that. During the electoral campaign, for example, Graeff was the only person authorized to write on Cardoso's behalf whenever there were written questions to be answered, or articles to be written at the requests of the newspapers.

According to journalist Ana Tavares, another close adviser of President-elect Cardoso, "Graeff has always been able to write very well."

Graeff met Cardoso when working on his M.A. in political science at Sao Paulo Univesity, where the now president-elect taught political science. Graeff still remembers one of Cardoso's introductory lectures 13 years later.

It did not take Graeff all that long to move from student to adviser. In 1978 he volunteered to work for Fernando Henrique Cardoso's campaign for the senate on the MDB [Brazilian Democratic Mobilization] ticket. In 1983, when Cardoso filled the vacancy left by Franco Montoro, who became governor, Graeff went to work for him, and since then he has been keeping tabs on projects that Cardoso is interested in. During Cardoso's term as minister of finance, Graeff was his adviser for congressional affairs.

Although he has worked with Cardoso in Brasilia for 11 years, Graeff has not set up house in Brasilia. His wife and two of his three children live in Sao Paulo. At long last, he is getting ready to move to Brasilia.

Behind every happy politician there is always a keen press adviser. Cardoso is no different. As senator, foreign minister, finance minister, presidential candidate, and president-elect, he has been followed by a shadow for 11 years: Ana Elisa Tavares de Miranda, the future presidential press secretary. Although a point is being made that in Cardoso's administrations there will be no superministers, this may not apply to Tavares and Caldas Pereira. They have always been Cardoso's super-advisers at every stage of his political career.

Ana Tavares is as discreet as she is powerful. The surest sign of her power is that she does not like to throw her weight around. She is close to Cardoso's family, but just recently, she refused to provide any information at all for a report on the relationship betwen the president-elect and his wife and children.

"This subject does not fall within my professional purview," she explained. On the other hand, whenever it is a matter of public relations, she is prepared to argue with the boss himself. Although relations between the two had to become more formal after Cardoso was elected president, as required by protocol, Tavares continued to firmly state her opinion on issues within her jurisdiction whenever necessary. For example, during the final stretch of the electoral campaign, she almost interrupted an interview with then candidate Cardoso. She was upset because he was about to hastily claim victory.

"Take it easy, Ana; I know what I am saying," Cardoso said, breaking off his sentence just before saying what she did not want him to say.

Unintentionally, but because of her access to the president-elect, Tavares plays roles outside her press-related purview. During the elections for the gubernatorial runoff in Brasilia, Deputy Fernando Lyra (PSB-PE) [Brazilian Socialist Party-Pernambuco State] sought out Tavares to arrange a meeting with Cardoso to talk about the campaign of PT [Workers Party] candidate Cristovam Buarque. During the first formal meeting between Senator-elect Antonio Carlos Magalhaes and Cardoso, the two broke the ice by talking about Ana Tavares.

"Since you like her so much, why don't you take her to work for you," Cardoso joked.

Most of the professionals who deal with Tavares every day acknowledge that she has a special attribute: She does not lie. If she cannot release some information—as is frequently the case—she does not attempt to divert the journalists from conclusions they may have reached on their own. When the PSDB [Brazilian Social Democracy Party] was negotiating an agreement to join the Collor administration, she repeated over and over again: "Cardoso will not join this administration; you can publish it."

Some of the newspapers believed her, published it, and turned out to be right. Other media sources chose to listen to Planalto Palace leaks.

She has, however, been involved in a major "gaffe" as an adviser. She was "proven wrong" but in good company: Cardoso and his wife, Ruth. The feat was perpetrated by President Itamar Franco, who appointed Cardoso finance minister without his consent, thus throwing everyone off track. Early that morning, Tavares spoke to Ruth several times on the phone and the two agreed that Cardoso would not accept the job. Franco's maneuver caught them by surprise.

Ana is the daughter of late journalist Tavares de Miranda. All these years she has been a kind of guardian angel to her not always discreet, sometimes sarcastic and caustic chief. Many times she has had to play on the affection and respect she enjoys among most journalists to prevent the dissemination of remarks that Cardoso has made jokingly. She has accomplished this discreetly in keeping with one of her professional rules: "An adviser is not news."

To gain this respect, she uses the authority that comes with some of the jobs she has held. For example, after the elections she chose to work from the only office to which journalists had free access: Cardoso's office in the Senate.

"I cannot work in a place to which journalists have no access," she explained.

Eduardo Jorge Caldas Pereira, 52, economist, retired Senate employee, and future presidential secretary general, acts as a kind of satellite dish for Cardoso. There is one basic difference, however, between him and the dish: He only relays what he hears to his own boss. Whenever Cardoso is in doubt, he does not sign any document nor make a decision without running it past Eduardo Jorge first.

Caldas Pereira started working for Cardoso in the Senate in 1983, displaying loyalty and organizational abilities as pertains to someone who has made a carreer in public service. The senator needed a legislative adviser to help him out on a committee that was reviewing the case of the Polish promissory notes. It so happens that the chairman of that committee was Itamar Franco. The relationship between Cardoso and Caldas Pereira grew stronger over the years, and nowadays Caldas Pereira is not just an adviser; he is a member of Cardoso's inner circle.

Caldas Pereira is extremely discreet. During the presidential campaign, he was in charge of coordinating research and strategic actions. He was among those responsible for launching the candidacy of the then finance minister, who was still reluctant to leave his job. Caldas Pereira did not merely try to convince Cardoso: It was at his house that Cardoso met with Carlos Augusto Montenegro, who was then the director of the Ibope [Brazilian Public Opinion and Statistics Institute], to evaluate for the first time his chances of winning the presidential elections. From then on the adviser continued holding evaluation meetings that finally convinced Cardoso he had a chance of winning the race.

Caldas Pereira was not alone in this task; he worked together with Sergio Motta, who is now the communications minister-designate.

Born into a family of public officials, Caldas Pereira has three brothers, most of whom are career public servants as well, some of them PT supporters. Maria Delith Balaban, his sister, was Cardoso's chief of staff in the Senate.

Caldas Pereira's friends and colleagues confirm his dedication to public service. He was the founder and the first director of the Federal Senate Data Processing Center (Prodasen). He graduated from Brasilia University and holds an M.A. and Ph.D. in public administration from New York University, for which he still works as a consultant. He has served as international adviser for several countries, including Honduras and Guinea-Bissau. In Guinea-Bissau, for example, he helped out with the constitutional reform and with the change from the communist system to a democractic system.

He and Ana Tavares were the only advisers that Cardoso took from the Senate to the Foreign Ministry, and later to the Finance Ministry. During the current period of transition, his task has been to organize the new administration, collect information on people invited to join the administration, and select government policy proposals. In general terms, Caldas Pereira can be regarded as Cardoso's intelligence and strategic affairs adviser. One of the coordinators of Cardoso's campaign revealed that Caldas Pereira had been the one to confirm that Senator Guilherme Palmeira, formerly Cardoso's running mate, was not involved in the reported irregularities of one of his advisers.

At the Finance Ministry Caldas Pereira worked together with Clovis Carvalho, then executive secretary of the ministry and now civilian household chief-designate. Their affinity has encouraged Cardoso to appoint them to jobs that require a lot of mutual cooperation.

Foreign Minister-Designate Lampreia on Mercosur

PY2812020394 Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 Dec 94 Section 1 p 4

["Excerpts" of interview with Foreign Minister-designate Luiz Felipe Lampreia by Roni Lima in Rio de Janeiro on 22 December]

[FBIS Translated Text] [Lima] How do you assess your appointment?

[Lampreia] I assess it as evidence of President Fernando Henrique Cardoso's personal trust and, in particular, his trust in and respect for the diplomatic career. Above all, I describe myself as a personal, loyal, and dedicated friend of his (FHC) [Fernando Henrique Cardoso].

[Lima] Don't you believe [former Finance Minister Luiz Carlos] Bresser Pereira's initial apppointment as finance minister elicited a negative response? Were there any strong pressures against his appointment?

[Lampreia] I don't want to comment on this issue. And I am unaware of the fact that there were any pressures.

[Lima] Will you pursue a policy of closer ties with the First World or the Third World?

[Lampreia] The Third World concept has already been superseded. A relevant operational category today is that of the countries with dynamic economies, such as Brazil, Argentina, Chile, Mexico, which are rising countries, and Malaysia, Indonesia, Singapore, India, and Thailand, the Asian countries.

These are our natural partners. We have the same hopes, and our voice must be heard in an increasingly decisive fashion.

[Lima] Must Brazil seek some kind of leadership among these countries?

[Lampreia] This issue must not be expressed in terms of leadership. There must be joint actions, without separating Brazil's grandeur, size, and weight. Brazil cannot fancy itself being a small country from a minor region of the world.

[Lima] How do you assess Brazil's role within Mercosur?

[Lampreia] Mercosur is decisive for Brazil. I hope that it will become the matrix for a larger integrated area in South America and eventually for a larger hemispheric area in which free trade, the promotion of well-being, and prosperity prevail.

Mercosur represents our first reality, a top priority for the government. I even suggested to the president that a special structure in Itamaraty be established to handle Mercosur affairs.

Serra Names Planning Executive Secretary

PY2312193394 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Dec 94 p B5

[Article by Sandra Sato]

[FBIS Translated Text] Brasilia—Senator-elect Jose Serra, who is the planning minister-designate in Cardoso's cabinet, yesterday confirmed that economist Andrea Callabi—a former Treasury secretary during the Sarney administration—will be the executive secretary of the Planning Ministry. Upon leaving the Planning Ministry after a working lunch with Minister Beni Veras, Serra introduced Callabi saying: "This is the future executive secretary." Serra took Callabi to the meeting with Veras because it is Callabi who will be dealing with Veras' team until the new government is installed.

Serra said the only issue discussed at the meeting with Veras—which had been set last week—was the structure of the Planning Ministry. Serra declined to give details of changes in the structure. He said: "Let me arrange the team first." Serra noted that he had not discussed the 1995 budget—which provides for a deficit of up to 11 billion reals—or the situation of state-owned companies with Veras. Serra declined to comment on changes in the Ufir [Reference Fiscal Unit]. He said: "I will not discuss economic issues before I am installed," adding: "We did not analyze economic topics at the meeting."

Planning Minister Criticizes Cardoso's Cabinet

PY2712232494 Rio de Janeiro JORNAL DO BRASIL in Portuguese 23 Dec 94 p 4

[FBIS Translated Text] Planning Minister Beni Veras, from the Ceara State PSDB [Brazilian Social Democracy Party], yesterday joined Finance Minister Ciro Gomes in criticizing the formation of [President-elect] Fernando Henrique Cardoso's cabinet. Veras said: "He has shown little sensitivity toward the regional issue." The minister believes the ministers chosen by the president-elect reflect a power imbalance between the rich states from the southeast and southern regions and the poor states from the northern, northeastern, and central-western regions.

In Veras' opinion, there are so many differences between the two regions that there is tension between them, a tension that will increase with the implementation of Mercosur [Common Market of the South]. He said: "Ciro and I are talking about the same thing, but using different words."

The planning minister noted that the per capita income in what he describes as Brazil 1 (the southern and southeastern states) totals about $3,000, while in Brazil 2 it totals about $1,100. During the presentation of the Arid Zones Project [Projeto Aridas], a proposal to organize investments in the semi-arid northeastern zones, Veras said: "There is a clear division and, if nothing is done, it will cause very serious tensions in society."

Seplan [Secretariat of Planning and Coordination of the Presidency of the Republic] Executive Secretary Raul Jungmann added: "The regional issue was the backdrop of the entire discussion concerning formation of the cabinet."

Veras said Fernando Henrique is not very well acquainted with the Arid Zones Project, but committed himself to establishing a Regional Development Council [Conselho de Desenvolvimento Regional], directly linked to the presidency of the Republic and comprised of the finance, planning, communications, mines and energy, and environment and water resources ministers. This council would be the appropriate forum for discussion of regional strategies like the Arid Zones Project.

The project's implementation had been negotiated by the current cabinet team with Paulo Renato de Souza, who had been mentioned as would-be planning minister. After [Jose] Serra was chosen [as Cardoso's planning minister], the negotiations at a federal level returned to the starting point. The northeastern state governors are already committed to this project, which, according to Veras, guarantees its implementation.

Franco To Become Ambassador to Portugal

PY2712142894 Sao Paulo AGENCIA ESTADO in Portuguese 1831 GMT 26 Dec 94

[FBIS Translated Text] Brasilia, 26 Dec (AE)—President Itamar Franco has decided to accept the offer to become Brazilian ambassador to Portugal. He told his friends who visited him on Christmas Eve that he considers the offer an award, especially after having received the government in crisis and passing it on with a practically stable economy, without scandals, and with a popularity rate greater than 80 percent—a figure never obtained by any other president at the end of his mandate.

Franco said he will remain at the Jaburu vice presidential palace, where he lives, until 4 January, three days after passing the presidential sash to his successor Fernando Henrique Cardoso. During those three days he intends to prepare his luggage, personally coordinate the preparation of the palace for Vice President elect Marco Maciel, and bid farewell to the advisers who helped him during the past two years and two months.

After passing the presidential sash to Cardoso on 1 January, Franco will bid farewell to his ministers at Planalto Palace, and return to Jaburu Palace in the car of the presidency of the Republic. He is expected to attend the reception for Cardoso offered by the Foreign Ministry as of 2130.

After leaving Jaburu Palace on 4 January, Franco will return to Juiz de Fora, Minas Gerais. There he will await his appointment as ambassador to Portugal. His name must be submitted to the Senate, where no resistance is expected. Franco, a former senator, is very popular in the Senate. He has many friends from different parties, among them government leader in the Senate Pedro Simon (PMDB-RS) [Brazilian Democratic Movement Party-Rio Grande do Sul], Alexandre Costa (PFL-MA) [Liberal Front Party-Maranhao], Elcio Alvares (PFL-Espirito Santo), Edison Lobao (PFL-MA), and Jose Ignacio Ferreira (PSDB-ES) [Brazilian Social Democracy Party].

Current Brazilian ambassador to Portugal Jose Aparecido de Oliveira was the main proposer of Franco replacing him in Lisbon. Oliveira, a personal friend of Franco, convinced him that the post of ambassador would be a good option. In the past few days, Franco admitted being somewhat "disoriented," that he had not defined what to do after passing the presidency to Cardoso.

PDT Intends To Oppose Cardoso Administration

PY2812101894 Rio de Janeiro JORNAL DO BRASIL in Portuguese 23 Dec 94 p 5

[FBIS Translated Text] Brasilia—The PDT [Democratic Labor Party] National Executive Board and the PDT blocs in the Chamber of Deputies and the Senate yesterday released a communique reporting that the PDT will oppose the Fernando Henrique Cardoso administration. The communique notes that this decision was made after reviewing the past elections, "which were marked by unspeakably bad abuses of economic power that overwhelmed the government itself and the media."

The PDT pledges to conduct opposition "with a constructive spirit." In its communique, the PDT criticizes the future cabinet's composition. The communique says that the PDT wants "to join forces to hold back and defeat the Cardoso administration's neoliberal attack." In its communique, the PDT leadership asks the PDT leaders and members to participate in "the PDT's reorganization."

Ambassador to U.S. Views Foreign Relations

PY2612122694 Sao Paulo FOLHA DE SAO PAULO in Portuguese 18 Dec 94 Section 6 p 7

[Interview with Paulo Tarso Flecha de Lima, Brazilian ambassador to the United States, by Carlos Eduardo Lins da Silva at the ambassador's residence in Washington on 13 December]

[FBIS Translated Text] [Silva] What do you think Itamaraty [Brazilian Foreign Ministry] will be like in the 21st century? What will be its new missions, tasks, and trends?

[Flecha de Lima] Our current structure is clearly inadequate for facing the new challenges. First, because we will begin the 21st century with complex negotiations involving the expansion of our relations in the hemisphere. This expansion has just been sanctioned in Miami, and will demand a lot from all the countries involved.

Second, we will also have to prepare ourselves to meet more requests for a Brazilian presence in other corners of the Earth, be this a political presence or the presence of Brazilian troops to participate in the peace efforts sponsored by the United Nations.

Third, although presidential diplomacy makes daily contacts seem sometimes unnecessary, the process of preparing summits and the frequency with which they will occur will represent a huge burden for the current structure. We will also have to prepare ourselves to regularly coexist with foreign relations in a democratic environment.

Itamaraty will no longer have monopoly over foreign relations issues. Itamaraty will have to open up to other areas of the government, especially Congress, which will have a more participatory role. As the interests become more diversified, they also become more intense and complex. This will have repercussions in the communities that are assisted by the congressmen, and these will necessarily be more frequently consulted on international affairs.

[Silva] The agreement signed in Miami will end up affecting the material lives of people represented by the congressmen, won't it?

[Flecha de Lima] Yes, and Rio Grande do Sul is a good example of that. Rio Grande do Sul congressmen are the ones who go to Itamaraty most often, either to defend their regional economy from tariff protectionism resulting from the Mercosur [Common Market of the South] or other old agreements, or to seek additional space to use as their bases in the neighboring countries.

As Congress is the estuary of all national aspirations and the most representative organization in the country, its relations with Itamaraty must be intensified, because it will be up to Congress to offer the legal tools to render adequately the decisions to be made within the framework of international negotiations.

[Silva] What you are saying refutes a concept shared by a large number of people in Brazil. These people assert that as a result of the technological revolution that has been occurring at the end of our century, it is becoming less necessary to have a large number of diplomats abroad, as we used to in the past. What would you say about this concept shared by many Brazilians?

[Flecha de Lima] I believe this is a way of oversimplifying things. I also believe it perhaps reflects an overelaborate vision of reality. The truth is that the daily aspects of international relations are conducted very frequently through interpersonal contacts and general or specific initiatives. Faxes help a great deal, and they are already intensively used, but they will never replace direct and personal contact among diplomats. Very much the opposite, what we need is to have more diplomats abroad and a stronger presence in foreign countries. The current number is obviously insufficient. My embassy has 23 diplomats to meet the demands of the huge mass of tasks resulting from our relations with the United States.

I understand this concept you have mentioned, but I believe that the technological revolution will increase the diplomats' effectiveness because they will have greater possibilities of getting in touch with the bases faster. Technology, however, will not make individual or personal action dispensable, because this can never be replaced.

[Silva] Itamaraty is considered one of the few institutions really created by Brazil. Some say that the Army, the Catholic Church, and Itamaraty are the only three Brazilian institutions. Do you agree with that? What makes Itamaraty different?

[Flecha de Lima] I believe Itamaraty has a highly qualified cadre. Itamaraty is an amalgam of common traditions that make understanding easier. It has a pattern of common professional performance, and there is a certain unity among its members, maybe as a result of the way it recruits its personnel. I believe that these ties with tradition are something very important. Our Silveira (Antonio Francisco Azeredo da Silveira, foreign minister during Ernesto Geisel's administration from 1974 to 1979), fondly remembered, has already said that Itamaraty's best tradition is to know how to renew itself. We have had an extraordinary capacity of adapting to the challenges of modern times.

Itamaraty has also been a pioneer in including on the list of national priorities extremely important topics such as the concept of economic development, the importance of international trade, and, more recently, the importance of the science and technology area, which in my opinion will be Brazil's greatest challenge. Our economy is complex, and the quality of our requirements very high. It is in the area of science and technology that we can make use of experiences achieved by other countries. This is a priority in our relations with the United States.

We were able to update the science and technology accord, which was signed at the beginning of the year, and will now have to conclude the list of steps required for Brazil to obtain more intense cooperation in this area. The only obstacle for achieving that is the intellectual property issue. Once this problem is resolved, we will have a tremendous flow of cooperation.

[Silva] How can Itamaraty survive its internal ideological clashes, and survive as if it were above the government structure? The administrations pass, but Itamaraty remains as if it were an independent organization.

[Flecha de Lima] First, this results from our structure. It is a closed structure in the sense that the functions of Itamaraty, except for those of the foreign minister, are essentially unique to diplomats. It is a closed system, but it is democratic because all these people have been recruited through exams. Second, we have the clear conviction that an Itamaraty official serves the government, and not a political faction in power.

The president-elect has frequently said that Itamaraty is the organization that inspires congressmen most, because in our work we use the British system in which the government organizations are permanent and are oriented by their political superiors in accordance with the guidelines of the party in power. We adjust ourselves to the guidelines established by the political power without getting involved in political party disputes.

[Silva] Who established this system?

[Flecha de Lima] I would say that it started with the Rio Branco baron [Jose Maria da Silva Paranhos, Brazilian politician and diplomat], who made the members of Itamaraty real professionals. He ensured continuity in the management of Itamaraty. He was an Itamaraty minister for 12 years, and was able to imprint on the organization and on its members the notion that one who works in this ministry serves the government. This notion may be a result of his European education, although one of the most important aspects of the baron's policy was to maintain good relations with the United States.

[Silva] In your opinion, how will relations with the United States develop? Apparently this is a particularly good moment in the history of our bilateral relations. The way President Clinton praised Brazil on 11 December had been unheard of for a long time.

[Flecha de Lima] It is important particularly because the praise was spontaneous, and uttered during a news conference. I believe that President Clinton's words are entirely different from the words President Nixon said many years ago: "Wherever Brazil goes, the rest of Latin America will go, too." President Nixon's comments were made in a bilateral context, during a banquet he offered to the Brazilian president.

Another different aspect of the event is that the democratic atmosphere currently reigning in Latin America assumes that there is no place for the hegemonic or exclusionary attitudes that seemed implicit in President Nixon's words. With the degree of trust Brazil has gained among the Latin American countries, President Clinton's comments can only be seen favorably by the other countries of the area.

[Silva] How do you believe relations with the United States will develop? It is evident that the conflicts are not over. They could even worsen as the two countries' trade interests in international markets increases.

[Flecha de Lima] Conflicts are normal. Take as an example countries that have very close relations, such as the United States and Canada, or the United States and England. A series of conflicts have been occurring among these countries. The more democratic, the more open the atmosphere, the more conflicts there will be because the opinion of some groups will become stronger and more evident.

[Silva] And from the ideological point of view? How do you think Itamaraty will behave at the beginning of the new century?

[Flecha de Lima] Even as a result of its professionalism, Itamaraty will reflect the national priorities. Itamaraty has been accused of being a very closed organization that is isolated from society. Our foreign policy, however, has repeatedly been a point of consensus in various administrations. It was only not so when it adopted ideological hues that were too accentuated.

Normally, Itamaraty has had the capacity to perceive the tendencies being adopted by Brazilian society, and has tried to act in accordance with the guidelines that must be established exclusively by the president of the Republic. Regarding the Foreign Ministry's principles of doctrine, however, Itamaraty always seeks to absorb the input offered by society.

[Silva] In an interview granted to this same issue of this "MAIS" section, President-elect Fernando Henrique Cardoso lends great importance to an Itamaraty that is opening up toward society. You have also mentioned that. From the operational, practical, point of view, how can Itamaraty make this opening up possible?

[Flecha de Lima] I don't like to talk about the past because I believe one must always look toward the future. Only to give you an idea of my concern about this sort of issue, however, I will tell you that when I was Itamaraty secretary general I was able to put into operation the Institute for Research on International Relations [Instituto de Pesquisas em Relacoes Internacionais, IPRI] thanks to the support of important Itamaraty colleagues, particularly Ambassador Gelson Fonseca. We found a good site to install our headquarters, and began to organize a series of seminars that marked an important trend in our actions and methods.

Even the Americas Summit has been discussed at the IPRI in August, although this seminar may not have been perceived by society in view of the electoral campaign being staged then. I believe that as a result of President-elect Cardoso's assertion, the tendency will be to expand further this type of activity.

I also believe that the Brazilian media should become more interested in foreign policy. I believe that Itamaraty could create conditions for that, including by offering scholarships to train journalists in the field of foreign relations, because we will need people able of contributing to helping society gain a correct perception of international relations, and because the media are in a unique position to be able to do that.

Senate Approves Sivam Project Financing

PY2712212594 Sao Paulo FOLHA DE SAO PAULO in Portuguese 26 Dec 94 Section 1 p 9

[By Gustavo Krieger]

[FBIS Translated Text] The Senate approved on 21 December the financing of the Sivam (Amazon Region Surveillance System) without the government having specified how much it is going to pay to ESCA [Automation and Control Systems Engineering], the company charged with managing the system.

The Sivam project budget is estimated at $1.4 billion. ESCA said it is negotiating to obtain between 10 and 15 percent of the project cost, which would represent remuneration totaling between $140 and $210 million for its services.

The above difference is larger than the amount earmarked by Sivam for the purchase of ecoloogical monitoring equipment ($51.3 million).

SAE (Strategic Affairs Secretariat) Chief Mario Cesar Flores has said that the government does not know how much it will have to pay ESCA "because the contract is still being negotiated."

ESCA Director Antonio de Almeida Filho has confirmed that his company would like to receive "between 10 and 15 percent of the Sivam project cost."

ESCA was created by Air Force Colonel Ernesto Monteiro, retired. ESCA had obtained its first contract with the Sao Paulo subway company without prior public bidding.

Later, ESCA began specializing in the military area and steadily won government contracts. ESCA's revenues are expected to reach $50 million in 1994, nearly 65 percent of which comes from government contracts.

ESCA has won major management contracts for high technology projects in the Aeronautics Ministry.

It was ESCA that managed the implementation of the Cindacta [Combined Air Safety and Air Traffic Control Center] system, which deals with air traffic control nationwide. ESCA also undertook the projects involving the Confins airport (in Minas Gerais) and the Alcantara Rocket Launching Center (in Maranhao).

With regard to the Sivam project, ESCA was chosen as the "Brazilian counterpart company," with duties that would normally be incumbent upon the government.

According to SAE Chief Flores, "the primary duty of the Brazilian counterpart company is to absorb the technology and intelligence information supplied by Sivam so that Brazil may have command of the system."

The government pays ESCA to absorb the technology developed through and with Sivam, but it will have to sign another contract if it wants to use ESCA's experience for other programs.

This is what happened with the Cindacta project. The first stage of the process was implemented by the French company Thomson.

ESCA was hired to absorb technology during the second stage. It was the Brazilian company that implemented the project during the third stage.

Through all these stages, the government had to hire a private company to transfer technology to the system.

ESCA was awarded the Sivam contract without prior bidding. The government sent a letter to the National Association of Engineering Consulting Companies and to the Brazilian Association of Manufacturers of Automated and Informatics Equipment to inquire about companies interested in administering Sivam.

Fifteen companies attempted to meet the qualification standards, but they failed to do so because of government requirements.

ESCA was the only Brazilian company that could meet the preestablished requirements, which included experience in managing communications and radar systems and the availability of a qualified team to manage Sivam.

The cost of ESCA's services was not discussed when it was awarded the contract.

Sivam's implementation will be finaced through foreign loans. Following the approval of these loans by the Senate, the government may sign a contract with the consortium formed by ESCA and by the U.S. company Raytheon, which will supply the equipment needed for Sivam.

SAE Chief Flores described as normal the fact that the government still does not know how much it will have to pay ESCA for managing Sivam.

According to Flores, the government required that ESCA, as manager of the Sivam project, form a consortium with Raytheon, which will supply the equipment for the surveillance system.

Flores said: "We are still negotiating the commercial contract with Raytheon. This contract will make provision for the basis for paying ESCA for its services."

ESCA Director Almeida Filho stated that the company wanted to guarantee its participation in Sivam. He believes that the contract for its advisory work will stay "within the boundaries of the international market."

The boundaries Almeida is talking about vary between 10 and 15 percent of the project's total value.

Flores noted that the government did not call for a formal bidding to choose ESCA because Sivam is a confidential project.

In Flores' opinion, "no other company has as much experience in this area as ESCA."

After awarding the contract to ESCA, the government began to look for legal opinions to justify the lack of a bidding process.

In the opinion of some, ESCA is "remarkably specialized" in this field.

Chile

President Frei Comments on Americas Summit

PY2612174194 Santiago LA TERCERA DE LA HORA in Spanish 18 Dec 94 pp 8-9

["Special" commentary for LA TERCERA by Eduardo Frei Ruiz-Tagle, president of the Republic of Chile]

[FBIS Translated Text] I have returned from the Summit of the Americas with optimism and hope. The development attained by most of our countries during the three decades that have elapsed since the last "summit" is remarkable and surprising. The presidents who gathered at the summit were all elected democratically, representing countries with a greater stability and political maturity. Economically speaking we have left the lost decade behind, and are no longer suffocated by the foreign debt. Each nation is seeking, with greater freedom, its own democratic path, economic growth, and social development.

I believe that the most positive aspect of the "summit" was to feel that we share common values and criteria. There is a desire to work and help each other. We presidents have learned to exchange our viewpoints in an open and casual manner. The proposals I made were welcomed, especially those related to fighting poverty and preserving the environment. The truth is that throughout the summit I was able to see that a new community of the Americas, freer and more open to the future, is taking shape.

Chile is highly appreciated within this new atmosphere. Our delegation received many signs of friendship at the universities of Boston and Harvard. During the "summit" as well, our Latin American colleagues expressed on repeated occasions their recognition of Chile. Mrs. Clinton granted my wife special treatment during the various working meetings and gatherings. All these are signs of the new climate in which the ties of a true community between our countries are taking shape.

The "summit" had a very concrete outcome, as we approved a Declaration of Principles and a Plan of Action that entail a huge potential for hemispheric cooperation. This shows that we are going from words to deeds. Bolivar's ideal of a single united America, which for decades was mere rhetorics and good manners, is now beginning to materialize.

The "summit" ended with an invitation to Chile by the NAFTA member countries to join this treaty. This invitation put into practice one of the principles that motivated this "summit": that common development can be achieved through trade and reciprocal investments between sovereign partners.

This historical invitation did not come just by chance. It is the result of the sustained and persistent work of many Chileans. It is the result of the economic achievements of the past decade, the opening experienced by our economy, the openness of our regulations, the consistency of economic policy, and the high labor and environmental standards in force in our country. But it is also the result of the silent work carried out by our diplomats and representatives of the current and former administration who have decisively contributed to this invitation.

We have received this invitation thanks to the personal commitment and political will of the heads of government of North America. They wanted Chile to be their new partner, aside from the technical mechanisms and aspects. And this is what definitely opened the doors. During my visit to the White House in June I suggested to President Clinton that it would be a good idea to end the Miami Summit with a concrete gesture toward Chile that would symbolize the spirit of the meeting. President

Clinton immediately accepted the proposal, and personally promised to carry out the idea. In Indonesia and during ensuing telephone conversations I held with him and with Vice President Gore, we further discussed the details of how this gesture would be expressed. The Canadian prime minister's enthusiasm was decisive in going ahead with the idea at a time when obstacles started to emerge. When I attended the Mexican president's inauguration, he personally ratified Carlos Salinas' political will to promote Chile's entry into NAFTA.

Due to all this I felt a mixture of emotion and sound pride during the ceremony at which the formal invitation was made. When the Canadian prime minister said they had ceased to be three friends in order to become four, he was really expressing the appreciation for our country that made this process possible. I felt a sound pride because I realized that Chile was experiencing a superior phase in its international presence and development potential.

We regard joining this treaty as a new means to increase the productivity of our economy, to open the doors to our investments, to create more and better jobs, and to increase salaries. It will contribute to the enhancing of the second exportation phase, because customs rates for Chilean products with a greater added value will drop. Moreover, we will be able to import raw material and capital goods free of customs tariffs from the North American countries, which will favor our competitiveness. The medium and long-term effect will show namely in the improvement of the country's image and of foreign investment levels. By joining this treaty we will also improve our image as a modern, stable, and reliable economy before foreign investors, who will regard Chile as an equal partner with an economy as developed and powerful as that of the United States and Canada. I am sure all these elements will effectively result in increasing well-being for all Chileans.

Joining this treaty will be the most important commercial negotiation in Chilean history. We are faced with three countries, with a series of subjects to discuss, and with a highly demanding agreement for all its members. All this reveals the need for a nationwide effort, in which no sector must be excluded. The government, workers, and businessmen must reach an agreement during this preliminary phase to act as a single front. The more coherent our stance, the stronger and more respectful our position will be.

Our entry into the treaty must take into account the situation of the various sectors of our economy, especially the weakest ones. The necessary gradual adjustment of those sectors that rightly need it will be sought, as was done by the United States, Mexico, and Canada during their negotiations. It should also be pointed out that this treaty has a mechanism for the solution of commercial controversies that in practice balances the different economic powers of the treaty member countries, thus reducing the risk run by Chilean exporters.

We want to assume with responsibility this new phase of the internationalization of our economy. Chile's entry into the APEC [Asia Pacific Economic Cooperation] forum as well as our negotiations for joining this treaty are highly significant to us. We cannot afford to improvise; we must definitely renew the way we administer, organize, and work both in the public and private sectors. We need more and better training and education at all levels. Our productivity will not increase by magic. We need to work hard to be successful in such huge and demanding markets. To us the invitation to join NAFTA does not mean the end of a process, but rather a starting point. I believe this treaty is one of the key routes for integration and cooperation between the north, the center, and the south. We want to set paths so that in the future it may become a broad economic area of the hemisphere, in which goods, services, and capital may circulate freely. The subregional and bilateral integration processes we are working on in various parts of the region must gradually lead to the common objective of a Free Trade Area of the Americas.

We are at a very special moment in our history, marked by the definite hope that we can attain the growth and development goals we have set forth. It is a time of hope but also a time of work, effort, and responsibility. It is a time in which we can look with pride at what we have achieved, but we must not feel satisfied with this alone. It is a time in which democratic stability allows us to more clearly see all that remains to be done to attain equity, justice, and solidarity for the have-nots. It is a time of opportunities, but they will only materialize if we can reach an agreement over what the great national objectives are and work energetically, with generosity and enthusiasm. This is not a time for petty issues and selfishness. It is a time of generosity, a time to make every effort possible to make Chile a land of opportunities for all.

Daily Skeptical Over Results of Miami Summit

PY2312200894 Santiago EL MERCURIO in Spanish 10 Dec 94 p A3

[Editorial: "The Summit of the Americas"]

[FBIS Translated Text] The summit of the presidents of the Americas in Miami is the continuation of a process of rapprochement which the United States implemented at the beginning of this decade. The shared values of democracy, free trade, and international rights have allowed us to overcome our differences with the United States. This is what President Bush believed when he launched the Americas Initiative and NAFTA, and what President Clinton believed when he promoted NAFTA with neighboring countries and summoned the heads of state of the Americas to draft a common program.

Meanwhile, the countries of the Americas have strengthened their ties through consultation bodies like the Rio Group, free trade treaties at the bilateral and multilateral level, Mercosur [Common Market of the South], and other regional agreements that exclude the United States. Furthermore, Latin American claims for gratuitous aid and U.S. concessions, which really sought to elude their responsibility for the wellbeing of their nations, have become irrelevant. For many years, the United States was blamed for the poverty and clashes experienced south of its borders because of demagoguery, socialism, and nationalism. Thus, this is an unprecedented opportunity to prove our capacity to cooperate at the continental level and demonstrate Washington's willingness to be part of this new reality. U.S. indifference and the absence of substantial contributions to achieve progress at the continental level may result in frustration and the noninvolvement of other countries.

Preparations for this meeting have had a positive impact in Chile but resulted in great skepticism in most other countries. The extraordinary announcement inviting Chile to join NAFTA has spurred obvious national interests which offsets the skepticism prevailing outside our borders. This general indifference is justified. First, the draft agenda was not open and it does not contain any specific proposals or strategies by the participants. In fact, the agenda's content was unknown. Then, at the last minute, the United States changed delegates when the White House assumed responsibility from the State Department. Another important issue was the weakening experienced by President Clinton and the Democratic Party. As a result of his recent election defeat, Clinton lost control of Congress, his reelection is jeopardized, and his international negotiating power has dwindled. Another practical issue is the lack of weight that Latin American countries have among international powers in view of their lack of organization and their scarce economic and strategic prestige. A review of the international situation shows that, among its priorities, the United States needs to achieve understandings with its neighbors, the EU, Russia, China, Japan and Southeast Asia, Central Europe and India. It is no overstatement to say that Latin America only precedes Africa in importance regarding international security. The situation differs only because of the geographic proximity and the trend to establish regional and continental groups.

In view of this—due to the insufficient discussion of the proposals to be discussed and a narrow knowledge of its specific objectives—this presidential summit may be characterized by the announcement of formal proposals and mere rhetoric. Nevertheless, the absence of expectations, the publicity that surrounded the summit, and the difficult situation affecting President Clinton may create auspicious conditions for future understandings through a more systematic and organized process.

Party of South Urges Peasants To Resist NAFTA

PY2312185794 Santiago EL MERCURIO in Spanish 10 Dec 94 p C6

[FBIS Translated Text] The Party of the South has called on peasants and people who live on farms in general to timely react and arise to begin peaceful resistance, active non-violence, and social mobilizations against the NAFTA.

The Party of the South said in a communique: "The NAFTA is an agreement, an economic pact with Canada, Mexico, and the United States that will ruin our agriculture even further, and exterminate the way of life of peasants who are safeguarding the country's traditions. We are afraid that the political class negotiated in secret this criminal pact against the national soul, as happened with Laguna del Desierto."

Official Criticizes CUT for Breaking With Government

PY2712153594 Santiago LA TERCERA DE LA HORA in Spanish 10 Dec 94 p 10

[FBIS Translated Text] Government Secretary General Jose Joaquin Brunner has described as "wrong and unfair" the explanation by the United Workers Confederation (CUT) for suspending the participation of its representatives in the working commission on economy, which are also held with businessmen."

He announced: "Following his return to the country, the president will answer the CUT's announcement at the proper time."

Brunner added: "The government reasserts its staunch and resolute willingness to work with all social groups so that together, through dialogue and cooperation, we may build a modern and just nation in step with the important transformations in today's world."

CUT President Manuel Bustos stated: "We are not against international trade treaties. We do not want investors lured to Chile only for our cheap labor. We reject the 'Asiatization' of the economy, raising the GDP at the expense of millions of exploited and impoverished workers."

He added that the CUT wants Chile to export manufactured products and not just its resources. It is striving for a socioeconomic level like that of Scandinavian countries, for better salaries and purchasing power, and to stop "killing off" the middle class. [Independent Democratic Union] Deputy Ivan Moreira responded: "This is a blow [tongo] from the CCPD [Coalition of Parties for Democracy], adding: "Let us not waste any time answering the pawn of the right wing."

Socialist Party (PS) President Camilo Escalona said he supports the CUT's position in emphasizing the union movement's demands. Regarding the CUT's decision to freeze its ties with the government, Escalona said the rupture is not complete "because the CUT will continue to participate in the Labor Affairs Commission where it may eventually achieve areas of agreement with the government."

Papers Discuss Advantages, Disadvantages of NAFTA

Incentives for Investment Discussed

PY2312234794 Santiago EL MERCURIO in Spanish 13 Dec 94 pp B1, B5

[FBIS Translated Text] The virtual entry of Chile into NAFTA—to which it was invited on 11 December by the three partners of the group, the United States, Canada, and Mexico—will reportedly have an important impact in the medium and long-term on the arrival of new investments and on the formation of joint ventures.

This is the feeling of Chilean exporters representatives, who point out that the effects on trade will not be too strong because Chilean products are already imported by those three countries with relatively low tariffs.

They noted the need to make more flexible and more expeditious some procedures which today block the entry of agricultural and fishing products.

Haroldo Venegas, director of the Association of Exporters of Nontraditional Manufactured Products (Asexma), said our joining NAFTA will generate advantages in matters of image, thus encouraging foreign investors to bring their capital to Chile.

He stressed the tremendous potential for the creation of joint ventures—as happened in Mexico—in nontraditional areas.

Venegas said that for exports of manufactured products there should be no serious changes. He said 80 percent of exports of those products are already included under the GSP [General System of Preferences] and they pay a tariff of between 0 and 3 percent.

He warned that in the negotiation process the government must heed possible effects of Chile's entry into NAFTA on environmental restrictions, which could leave the small- and medium-size companies out of the market. He said NAFTA partners could seek the elimination of mechanisms like tax refunds on exports which favor small exporters.

NAFTA is currently the second biggest purchaser of Chilean manufactured products after Mercosur: some $374.9 million during the January-October period. That represents 23 percent of all exports during that period.

The reaction of the fish export area was also positive. National Fishing Society Manager Christian Jara said the United States alone is the second biggest market for this area, having received last year exports worth $200 million. To this must be added the $33.3 million worth of exports to Mexico, and $6 million to Canada.

As with exports of manufactured products, the fish export area is not affected by high tariffs in the three markets. Some changes are expected in the health control area which today restricts the shipment of some products.

The entry to NAFTA may open the U.S. market to exports of Chilean boats. Today, by law, the entry of fishing boats built in other countries is banned.

Moreover, Rodrigo Infante, manager of the Association of Exporters and Producers of Salmon and Trout, also expects from NAFTA a greater perspective concerning investments.

Concerning trade, he minimized the effects because shipments of salmon and trout are subjected to a tariff structure of between 0 and 5 percent, which represents no restriction on exports.

Shipments to that bloc in 1993 reached $100 million, some 34.4 percent of overall shipments by that sector.

Benefit of Setting Own Terms Reviewed

PY2312211794 Santiago EL MERCURIO in Spanish 13 Dec 94 p C2

[FBIS Translated Excerpt] The benefits or damages that Chile's imminent entry into NAFTA may bring our country will depend on the terms set by Canada, the United States, and Mexico for the entry of other countries and, to a great extent, on the negotiating capacity of the Chilean team headed by Finance Minister Eduardo Aninat. [passage omitted]

In general terms, the consequences that the beginning of negotiations and imminent entry into NAFTA will have for Chile are the following:

1. Chile acquires international prestige, offering a sound economy that gives foreign governments and businessmen confidence;

2. Chile is given the privilege of access to a huge market due to its purchasing power, its financing capacity, its capacity to coordinate deals, and its projection into third areas;

3. In the investments field, joining NAFTA and the reduction of the risk premium will promote a greater inflow of Canadian, U.S., and Mexican capital, which is already significant, especially in the cases of Canada and the United States; it is expected that Chile will also attract foreign capital from other countries;

4. Being a member of an agreement such as NAFTA will allow for a better mutual understanding of the situation of the partners, thus allowing the promotion of joint ventures;

5. The estimated trade increase, due to the reduction of both import and export tariffs, will considerably increase commercial competition. This aspect has both a positive and a negative side. It was mentioned that Chile, basically, is an importer of capital goods and fuel, and the fact that there is greater competition should favor

domestic consumers, as these products will reach them at lower prices. But competition might also be difficult for some national production sectors that cannot cope with the avalanche of foreign goods at lower prices;

6. Despite the fact that there is a risk, it is also believed that being a member of an agreement such as NAFTA will contribute to the transfer of technology through the purchase of patents, access to licenses, etc. Having greater access to such know-how will benefit the domestic industry, improving its capacity to compete and opening real possibilities for joint ventures;

7. Although sectors such as agriculture fear joining NAFTA, it was pointed out that no one can assert that agriculture or another specific group will be affected by NAFTA, because there are production areas that are competitive due to their technological quality and capacity;

8. Regarding this same subject, it was pointed out that during its NAFTA negotiations Mexico was able to protect some specific products, and that Chile should learn from Mexico as there is no reason why it should be affected if it knows how to negotiate;

9. To determine which products it wants to protect and which not, Chile must define the true situation of Chilean agriculture;

10. During the negotiations Chile has a lot to learn about the mechanisms used by its three future partners to promote, sustain, and protect—whenever necessary—their agriculture, or sectors or items highly sensitive to international competition;

11. It was also pointed out that people must not overreact to the possible entry of foreign products at prices lower than the national products, because the distance between Chile and NAFTA member countries will be decisive, in addition to the fact that the Chilean market is small, and whoever wants to sell his product in Chile will have to take freight costs into account;

12. In the services field, Chile is becoming an exporter of capital goods, especially to Argentina and Peru. This new tendency might also move toward the NAFTA market, either through a direct investment or a partnership with Canadian, U.S., or Mexican capital or even that of other countries;

13. In this field Chile can also supply services that, although they not supplied in a traditional manner, as with the neighboring countries, may have good results. As an example it was mentioned that citizens of the NAFTA member countries could come to undergo surgery in Chile if they believe that, with the same quality of service, they will pay less; tourism is another channel for supplying services;

14. Neither can the possible requirements for the preservation of the environment be regarded as something negative. First, because Chile is already taking steps in that direction, and second, because with or without NAFTA the country must adopt such measures as a great potential for deals and improving national industry. In addition to the aforementioned, investments in this field increase on a daily basis;

15. As for the labor aspect, it was stated that the government has submitted a draft bill to improve the current labor code, and that in addition the increase of international economic relations will undoubtedly result in a substantial increase of jobs.

Invitation To Join NAFTA 'Challenge'

PY2612232094 Santiago LA TERCERA DE LA HORA in Spanish 13 Dec 94 p 3

[Editorial: "A Historic Event"]

[FBIS Translated Text] President Eduardo Frei was right when he labeled as "a historic event" the invitation to Chile during the Summit of the Americas to become the fourth member of NAFTA. The invitation extended by U.S. President Bill Clinton, Mexican President Ernesto Zedillo, and Canadian Prime Minister Jean Chretien implies a direct recognition that our country has reached a privileged place in the international community. This was achieved from the economic aspect by its liberalization policy, and from the political aspect by its return to democracy. This is a challenge that must be faced by all Chileans. No one can avoid this historic task because the entire nation has the responsibility of making the greatest effort to achieve our incorporation into NAFTA as soon as possible and under the best conditions. It is also true that the negotiations to enter this exclusive group cannot and should not make us forget that we are members of APEC [Asic-Pacific Economic Cooperation], that we are getting close to an agreement with Mercosur [Common Market of the South], and that our links to the European Union will be expanded in the very near future. It is necessary for Chile to follow this path because as we improve our presence in the various regional blocs we will have a better chance of success in the complex events of the next millennium.

The understandable euphoria created by the invitation extended to our country requires us to keep a cool head. Within this context, it is necessary not to forget that the U.S. House of Representatives and the Senate, which are now dominated by the Republicans, will have the last word on our incorporation into NAFTA. This fact will obviously force us to design a strategy of persuasion to convince the adversaries of the U.S. President that he was right in inviting us to participate in the large free trade zone created by the three North American countries.

Daily Rejects Reestablishing Ties With Cuba

PY2312180394 Santiago EL MERCURIO in Spanish 12 Dec 94 p A3

[Editorial: "Ties With Cuba"]

[FBIS Translated Text] Recent statements by government officials seem to indicate a rapprochement with the Castro regime. We are specifically witnessing a proposal to revise Chilean ties with Cuba through the appointment of ambassadors. This has been requested by CCPD [Coalition of Parties for Democracy] spokesmen close to the Castroist regime. This initiative is also supported by those who uphold the principle of maintaining diplomatic ties with all countries regardless of their individual domestic situation. It also has the support of those with economic interests, commercial ties, or investments on the island.

First, partisan considerations should not be tolerated in diplomacy. This concept is beyond those in power. Foreign policy serves national interests. It is not a tool to reciprocate support within the government coalition. We must not forget the unfortunate politicization of diplomacy in the previous administration which harbored former President Honecker, the architect of the Berlin Wall. The same groups that support Castro are the ones that pressured for diplomatic immunity of the German autocrat and promoted the opening of a Chilean consulate in Havana.

Pragmatism, which is always controversial because of its lack of values, has its limits and should not be upheld in this case. Diplomatic principles and objectives are sometimes overlooked in the name of pragmatism. This is what happened when ties were established with the DPRK and the group of nonaligned countries. This time it concerns a regime that is about to collapse, a regime with a long history of meddling in sovereign affairs through the promotion of doctrines and practices that helped subversion and terrorism. Finally, economic advantages should be disregarded. The insolvency of the Havana regime makes trade difficult and threatens commercial transactions and investments in Cuba. About two years ago, after a court case that lasted 15 years, a court injunction had to be issued against the Central Bank of Cuba to recover funds owed to the Central Bank of Chile.

Thus, there are very good reasons under the present circumstances to distance ourselves even further from the Cuban Government in keeping with the policies of former Presidents Alessandri, Frei, and Pinochet. Several decades have now elapsed without any progress to justify a change in the policy adopted by these former presidents. This distancing is justified by the continued repression of individual rights on the island and the rejection of the commitments with democracy encompassed in the "Santiago Declaration," that was signed in 1991. We have no intention of conditioning diplomatic ties to the prevalence of a state of rights because there are exceptions to the rule for national security, economic, or international reasons. None of these, however, applies to Cuba.

If Cuba and Chile exchange ambassadors, Fidel Castro would be the only one to benefit. It would prove his ability to break his isolation without enforcing individual freedoms and without repealing the defense committees that allow him to staunchly control the population and level accusations against members of the opposition, many of whom are political prisoners.

Chile will gain nothing by continuing to promote rapprochement with the Castro regime. Quite the contrary, the reestablishment of ties with Cuba would contradict national values and interests. It would also serve to discourage Cubans, who after 35 years of opposition, feel the restoration of democracy is close at hand.

Government Positively Assesses National Situation

PY2312002694 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1700 GMT 22 Dec 94

[Special report from La Moneda Palace by reporter Jose Miguel Alfaro]

[FBIS Translated Excerpt] During the last cabinet meeting of 1994, the government today positively assessed the first nine months of its administration. President Frei and his advisers outlined prospects for the political, economic, and social areas in 1995.

During the last cabinet meeting of the year, the government analyzed the current situation. It announced that Chile can take advantage of what it considers historical opportunities and begin equitable and dynamic development. Among these opportunities the government mentioned solid economic growth, significant progress in the social area, and considered this an important year for Chile's international relations. It then established four tasks for 1995: educational reform, the infrastructure issue, efforts to overcome poverty, and increased productivity.

[Begin Government Secretary General Jose Joaquin Brunner recording] The political challenges that must be assumed if we are to project this positive framework into the future, are also important. The first challenge is to maintain unity and consensus on the country's great modernization tasks; among them the economic and productive modernization, the modernization of the social area as far as equality is concerned; and political-institutional modernization to improve and add strength to our democracy.

The government wants to stress the fact that the modernization process cannot be mistaken—as the opposition has done—with a mere project of privatizations, of deregulating markets, of increasing individualism in society, or of favoring only some sectors of the country, disregarding the need for everyone to participate in the benefits and in the opportunities created by national development. [end recording]

Later Chilean President Eduardo Frei received at La Moneda Palace Deputy Army Commander General Jorge Lucar, who was consulted on the Letelier case.

[Begin Lucar recording] I do not want to talk about it. This is a judicial case and I believe, as we have read in the newspapers, the courts are about to issue a resolution on the matter. [end recording] [passage omitted]

Daily Reviews Frei Administration

PY2712141494 Santiago ESTRATEGIA in Spanish 12 Dec 94 p 3

[Editorial: "Assessment of the Frei Administration"]

[FBIS Translated Text] A year after the presidential elections resulted in the continuation of the government of the coalition, the country shows positive signs of progress in its economic bases. In the political field, although the current institutional system has been successful, the parties that support President Eduardo Frei Ruiz-Tagle's administration are seeking a change.

This factor is behind the difficulties encountered by the government in these past nine months. Strong internal disagreements (some covert, some more open) between officialist parties and the central administration have marked the second period of the coalition. Since the very beginning, a growing distancing has been observed between the executive branch and the political leaders—first through the conformation of work teams, and then through the establishment of the government agenda. While party leaders, headed by the left, insist on a political guideline, the president was sending signals on the urgency of emphasizing political and social aspects. In his 21 May message, referring to the country's situation, President Frei was very clear. His main guidelines boiled down to six tasks: consolidation of economic development, consolidation of democracy, eradication of extreme poverty, establishment of a modern system of labor relations, construction of an efficient health and education system, and increasing Chile's presence in the international sphere.

For the president, the political front as such has been the most difficult obstacle to overcome.

His decisive willingness to respect the principles of a supra-party system has been clearly expressed in the change of ministers only six months after initiating his administration. Applauded by the nation, this measure caused serious injuries to the coalition. Leftists lamented the dismissal of the chief of the socialist cabinet, while the coalition suffered a loss of influence in government decisions.

Although the presidential initiative has been successful within that framework, the deep disagreements among coalition trends and others on plans for the future have not allowed the government to implement the modernization plan. Thus a paradox ensues: While the president is making trips abroad, seeking to improve our economic and commercial situation, internal pressures and the dogmatic nature of some sectors of the coalition forced our country to take backward steps on matters in which it lead in the past—like state modernization. The privatization plan initiated by the military regime has been weakly resurrected by the Frei administration, but the lack of efficiency in keeping it moving can be clearly seen.

Maintaining the most auspicious macroeconomic balances and objectives of future growth are overshadowed by severe deficiencies of the state administration. This certainly is not a matter that can be postponed. Thus, the country demands steps to conduct this work which only requires political willingness.

Business Leader on Results of Asia Trip

95SM0078A Santiago EL MERCURIO in Spanish 27 Nov 94 pp D1, D10

[Interview with business leader Jose Antonio Guzman; date and place not given; first seven paragraphs are EL MERCURIO introduction]

[FBIS Translated Text] Jose Antonio Guzman is still dealing with the aftereffects of a 14-day trip to Australia, Indonesia (where Chile became a member of APEC [Asia-Pacific Economic Cooperation Forum], Japan, and Korea. As the head of the Production and Trade Confederation, Guzman was in essence the leader of the approximately 100 business executives who accompanied the president on this trip, along with eight university administrators, parliamentarians, and ministers.

Guzman missed having union leaders and professors in the delegation, "because it is good for the largest possible number of people to see what happens abroad and how we have to behave if we are to be competitive."

The trip was perhaps too long—apart from the scheduled stopovers it included two free days in Japan—and it seemed at times that the Chilean party could have been more prepared to offer concrete public and private projects to address the concerns of Korean businessmen about investing in Chile.

But beyond the trip's demanding nature, Guzman emphasizes that each executive who paid his own travel expenses got good value for his money. Going with President Frei's letter of introduction—and the trip's character as an official visit in Indonesia and Korea—gave them better access to high-level officials and to their foreign counterparts than businessmen have when they travel on their own.

He believes there was a good deal of government-business coordination. More in Japan and Korea than in Australia—which was not considered in the original trip schedule—or in Indonesia, where the APEC summit official activities absorbed the president and the businessmen took part in a business session paralleling the Forum meetings. In Japan and Korea, though, the president and business leaders acted in tandem when they met with their peers in joint meetings that aroused great interest among local business executives. For the first time in Japan, over 400 meetings were scheduled in advance, for commercial contacts, investment, technology transfer, and cultural matters. The cordial relations both on and off the plane—where Guzman said that familiarity did not confuse their roles—were not even interrupted by the announcement in Chile of the 12.2 percent wage hike for government employees, though Guzman did tell Frei his opinion of the negative impact of this increase.

As always, during the trip the president listened carefully and spoke little. Relations with him grew more personal starting in Japan, where he began to meet with the business leaders in his suite to listen to their ideas.

The Kickoff

[EL MERCURIO] Was it made clear in Djakarta that the "open regionalism" which APEC is advocating does not mean it will operate like a customs bloc in relation to third parties?

[Guzman] All the official statements and speeches by business executives both in Indonesia and in Japan and Korea made it clear that no one wants to make APEC a closed bloc like the European Community or Mercosur [Common Market of the South], which is a customs union. For the time being it is planned as a forum, but in the long term as a commercial arrangement among its members. The timelines set for this are fairly lengthy, and many things may happen in the meantime in one direction or another.

[EL MERCURIO] But for now APEC would not prevent a unilateral trade agreement between Chile and third countries which do not act with reciprocity?

[Guzman] Not at all: it complements Chile's trade strategy with Mercosur, NAFTA, and the European Community.

[EL MERCURIO] Did you feel that the size of the Chilean delegation, the largest of the 18 attending the APEC Conference, was a reflection of Chilean interest in this market, or was APEC oversold?

[Guzman] I think the large Chilean presence had an impact everywhere, and for us as Chilean businessmen, it was a sign of confidence in ourselves.

[EL MERCURIO] There is some feeling that APEC may have been oversold, as NAFTA has been since 1990, for the Asia-Pacific will only become a free trade region in about 2020, and Chile has signed no trade agreement including tariff reductions, protection for investments, or the removal of trade barriers with any of its 17 members.

[Guzman] It is very important to point out that our entry in APEC is only a starting point in a relationship that is going to be maturing over 10, 20, or even 50 years. We have made the kickoff for this relationship, but we can not ask for dividends from something that is just starting. Now we can engage in bilateral or investment negotiations based on this new relationship through APEC.

[EL MERCURIO] So the expectations are bilateral, rather than relying on the multilateral nature of the Forum?

[Guzman] Absolutely. In the next 10 or 20 years I think commercial progress will come through bilateral accords, because each country has a different situation. It is very important to note the quantity of free trade agreements among APEC members. There is a whole network of such agreements among them, from which Chile has been left out. But our entry in the Forum now qualifies us to work out such agreements.

[EL MERCURIO] APEC seems to offer Chile little for the time being in trade matters. Its members' average tariff, excluding the GATT countries, is close to 20 percent; the majority protect their industries with progressive value added tariffs; they basically import raw materials from Chile, especially mining products; they have a very low level of investment in our country, and when they do invest it is to reexport raw materials to themselves as chips or concentrates.

[Guzman] Right. So APEC is a door opening to bilateral agreements that we will have to continue to work on.

Expand Our Market Now

[EL MERCURIO] Japan, considered the most successful stopover in the official tour, has tariffs that make it difficult to export our value added products. It is practically closed to fruit imports; Japan does buy grapes from us, but no apples. It has a low level of investment in Chile, basically intended for the production of raw materials: only $463 million in the last 20 years (3.3 percent of the foreign investment since 1974), even though it is our second trade partner.

[EL MERCURIO] Has some of that changed with this trip?

[Guzman] I think so. We clearly expressed our surprise about their lack of interest in investing in Chile, especially in higher value added products. Frankly, they were surprised by our statement, as they view Chile as a small isolated market that does not warrant any investment. I explained to them that our strategy with NAFTA, Mercosur, and other APEC countries may generate a different situation for them as investors. But we have to make those expectations more concrete if we are to see progress on the part of Japanese investors.

Not only in Japan, but in Korea and Australia as well, local businessmen made increasing their limited investments (except for Australia) in Chile contingent upon our being able to expand our market through NAFTA or Mercosur.

Guzman said this trip was not designed to attract Asian investment, but that it had a commercial objective: to open up markets.

If there are no new Asian investments, foreign investment in Chile will remain the same, so that issue does not bother us. But it was made clear that the next phase of our trade strategy has to be to complete agreements to expand our market. If the NAFTA plan works out, we will be in a much better negotiating position. Just as Japan now manufactures in the Philippines to export to the United States, it will be able to do so in Chile.

[EL MERCURIO] Minister of the Economy Alvaro Garcia emphasized the importance of the agreement reached with the Japanese government with the idea that Chile may become a bridge for Japan to enter Latin America. What agreement is that, and how viable is it if we do not become members of Mercosur?

[Guzman] There is no formal agreement. Investment decisions are individual, made by each businessman. What we did was convey to them more clearly than in the past what our strategy is. And Mercosur, with which Chile is seeking a free trade agreement, without actually becoming a member, may become a real prospect next year.

Guzman went on to say that the Japanese do not make decisions overnight, but that this visit, which repeats the same message that was given two years ago (with the Aylwin visit), does help.

I gave a speech to explain the private sector's strategy and I discussed the Mercosur situation. In the first round of questions, a businessman asked me exactly the same thing that I had said. He wanted to see if I would respond in the same way or with a different emphasis. And later that day I learned that other Chilean businessmen had been asked the same question outside of that meeting, also to determine what we really thought.

They are interested in learning Chile's strategy not only to invest in Chile but also because they are concerned that Latin America may form a closed bloc with North America, leaving Japan outside this market. While they do give priority to their relationship with Asia right now, they still do not want to neglect Latin America.

Advances With Japan

[EL MERCURIO] Are Japanese businessmen at all receptive to opening their market more to Chilean exports?

[Guzman] They are receptive, but if you look at the declaration of the Chile-Japan Business Committee, it is "here, and no further." They acknowledge the Chilean proposal, but in that paragraph they say: "The Chileans made such a proposal," not adopting it as their own. But Chile's entry into APEC has moved relations with Japan to another level. In their words: "This is a great event." And in the Asian mentality words have another meaning. They indicate a real intention, even though there may be a great delay in making that intention a reality, for time has a different value for them than it does for us.

[EL MERCURIO] And was some consideration given to the problem of the distribution networks that the Japanese have, which after tariffs are the second barrier to Chilean exporters?

[Guzman] There was a speech by a Japanese businessman who explained in detail the workings of the distribution networks, and compared with two years ago, we could see a change that is favorable to us. They are becoming aware that they have to drastically reform their distribution system—based on large "traders" which have five intermediate levels before reaching the final product—because of the excessive costs it adds to Japanese consumer products. So they are opening the door to smaller distributors. And that is where I see an interest in Chilean businesses. In fact, I know of two companies that have reached an agreement to send products to these smaller distributors so they can see what they may buy here.

[EL MERCURIO] And at some point did they address the issue of making the system of differentiated tariffs, based on the added value of our products, more flexible?

[Guzman] I understand the authorities proposed this but the response was that they are unable to introduce discretionary changes for one country. I do not foresee major concrete advances coming from this visit, except in agriculture: they recognized us as free of fruitfly and will allow cold processing to be used for our shipments.

Guzman said we are already exporting manufactured products, like furniture and wood veneers to Japan, and that we have been making progress recently. However, we still fail to take advantage of opportunities in this country which is not closed to imports. In fact, every year it buys $24 billion worth of goods... and exports somewhat more: $362 billion.

Concerned about the low level of imports, Japan has mechanisms to stimulate imports of manufactured goods. And we fail to use them, for we have not thoroughly explored this market and we do not use offers like free installations with all facilities provided, which they give to companies that would like to get to know the market there.

[EL MERCURIO] People say that Japan always evades opening its economy, sweetening its refusals with offers of official assistance, this time with the creation of the National Productivity Center.

[Guzman] That is not so; that project has been in the works for some time. In Japan this center, where they study specific areas to learn to make them more competitive, is 100 percent private, as it must be to succeed, and here people say that it may be a tripartite group, with the government's participation. I do not see much to be gained from that point of view.

Korean Interest

Guzman said Korea was the second most productive stopover. Its major business groups expressed interest in investing in Chile and increasing trade.

[EL MERCURIO] What is the reason for this change? Today they are net importers of raw materials (mineral concentrates, logs, and shellfish) and they export cars, clothing and plastics to us. In 20 years Korea has invested barely $20 million in Chile.

[Guzman] It is more now, because Samsung has just bought 15 percent of Entel [National Telecommunications Enterprise], which is going to greatly boost the investment figure. It is interesting that in the meeting with the four major companies I sensed that they realize that investment opportunities in Korea are diminishing, and they calculate that within the next five years 70 percent of their investments will have to be outside Korea. We are talking of figures on the order of $10 billion.

[EL MERCURIO] Here we have the impression that the big Korean interest in Chile is in coming here to live. The only thing in President Frei's speech that the 300 businessmen applauded in the luncheon meeting with the Chilean delegation was his announcement that automatic six-month visas would be issued to their businessmen.

[Guzman] They applauded that because they saw it as a goodwill gesture on Chile's part. In the past when a Korean businessman with investments in this country came to check out his business, he had to go through interminable red tape before getting a visa. That was influenced by the worldwide fear of Koreans.

[EL MERCURIO] Is it true that the Korean government subsidizes emigration?

[Guzman] I believe it has always done that, for they have a population of 94 million. But a visa does not give them any right to live here or to bring other people in.

[EL MERCURIO] How do you see the future with Korea?

[Guzman] As an important and strongly growing trading partner. They have still not realized Chile's potential as an exporter. They import $83 billion a year and we sold them no more than about $450 million last year.

[EL MERCURIO] Was some progress made concerning restrictions on our fruits or seafoods?

[Guzman] Yes. The government proposed this and so did Ronald Bown, whom I yielded my time to talk about fruit.

[EL MERCURIO] Were any apologies made for the fact that the trade balance is favorable to us?

[Guzman] No, never. In addition, they realized that these "deltas" or differences which our exports represent are nothing for them! So I think it is possible to increase our exports to Korea.

The Secret of Development

[EL MERCURIO] What explains Japanese development: investment in scientific and technological research, the business-worker relationship, or their very hard work?

[Guzman] I think it stems from a cultural factor: their capacity and dedication to work; the amount of time they spend working and studying is much longer than the time we spend. Japanese children spend 240 days a year in school; now after the latest agreement of the minister of education and teachers, as a big deal, Chilean children will study one week longer than the 270 days they now spend. Their awareness of the importance of technological development and research also helps the country to develop in another way, which is explained by their different view of time. They project plans for the mid- and long-term, while many Chilean businessmen think projects have to produce dividends within three years.

Moreover, discipline and respect are part of their culture, while they are gradually being lost in Chile. And there is no doubt that the company-worker relationship is also a very positive factor which has produced commitment by workers to the success of their company.

[EL MERCURIO] And are there fewer differences in income levels?

[Guzman] Yes, and there is also great awareness that they are losing competitiveness, because the cost of social security and of salaries has soared, and they are going to have to introduce significant changes to reduce these costs.

Words Are Not Enough

[EL MERCURIO] On the postponement of the free trade agreement which New Zealand was ready to sign, did it not seem that we lost an opportunity by rejecting the joint platform which New Zealand was offering us in APEC to penetrate the markets of Asia where they operate, and those of Latin America where we operate, which is a more concrete possibility than continuing to gamble on trade liberalization in the year 2020?

[Guzman] I believe that the heart of an agreement lies in the expectation of jointly stimulating the markets of both countries and each one's knowhow. I believe we have to look at an agreement from that perspective, and if a detailed analysis indicates that it can actually stimulate the markets of both countries, that agreement should be signed, Guzman said cautiously.

[EL MERCURIO] But apparently the technical matter had already been resolved between the parties in terms of balanced mutual benefits, but because of the dairy sector it was halted.

[Guzman] In the dairy sector or any other sector, we have to look at an agreement's potential for mutual benefit so both parties can grow.

[EL MERCURIO] So if we are not competitive in dairy products we should drop the agreement?

[Guzman] I believe our dairy sector is competitive and perhaps both will be suficiently competitive so that together thay may be able to cover a much broader part of the world market. That is what needs to be analyzed, and I have the impression that that analysis was not done. There were technical talks in which the private sector did not take part.

[EL MERCURIO] If the SNA [National Agricultural Association] had not blocked...

[Guzman] It was right to do so, as the time for signing the accord was approaching, without this analysis having been done in advance.

[EL MERCURIO] Did you get the impression that there is a lot of liberalizing talk outside that is not practiced inside, where agriculture or textiles are protected, the capital account is not opened any further, and tariffs are not being lowered?

[Guzman] That was clearly perceived by the president, the ministers, members of parliament, and the businessmen. It was clear to this group that this talk of the free market is not just a lot of verbiage, that the Asians are moving ahead, although Indonesia and Korea are still much more closed than Chile and even Japan. We are sure they are moving toward greater openness and we have to do the same if we want to retain our present advantage.

Guzman concluded with an issue that he will certainly develop in the Enade [National Business Board] meeting tomorrow:

This government and the previous government go abroad and talk a very liberal line. They are very supportive of openness and the private sector, in favor of opening doors. This imposes some obligations on us here at home. Upon entering APEC Chile made some commitments. If we want this to be truly advantageous, we have to do what it means to be a member of APEC. Even though we all recognize that we have made much progress, there is still room for greater trade liberalization, by reducing tariffs or opening the capital account; private participation is still blocked in some sectors; our inflation cycle is not at the international level; we need to develop our human resources and infrastructure which, as has been said so often, will shape our future economic development. In addition, we need to do a great deal in the area of small and midsized industry, which in Japan is the pillar of job creation and a source of technology and production. And to conclude: government-private sector relations to define strategies and official actions in favor of development should be closer. We are not interested in governing jointly, but we are interested in being able to present our points of view.

Colombia

Samper: ALADI Should Be Turned Into Regional GATT

PA2312203194 Hamburg DPA in Spanish 2256 GMT 22 Dec 94

[Report by Rodrigo Ruiz Tovar and Cipriano Ramos]

[FBIS Translated Text] Santa Fe de Bogota, 22 Dec (DPA)—Colombian President Ernesto Samper has said in light of the new reality in the world, the Latin American Integration Association (ALADI) "should be turned into the regional GATT" in which the regional countries can define "common rules for commerce and investment."

In an interview given to the German News Agency (DPA), Samper also called the countries of the Nonaligned Movement to unite against "the demons of neoprotectionism, xenophobia, and racism moving in the industrial world, as well as against drug trafficking activities and the dangers threatening the environment."

"Nonalignment to confront ideological blocs has ended, and we need a new form of alignment now to confront issues such as the ones mentioned, which are causing great damage in countries of the South" the president added. Samper will preside over the Nonaligned Movement's summit to be held in the Caribbean vacation resort of Cartagena de Indias in September 1995.

Samper, a 44-year-old economist who is a confessed enemy of "vicious neoliberalism," has said he shares the concern of many Latin Americans in the sense that unbridled free trade will worsen social debt. He has clarified, however, "it is not a matter of returning to the old protectionist model but, rather, to implement an alternative development program."

"This new model must be based on solidarity, productivity, and political participation," the Colombian president explained, adding the old concept of territorial sovereignty and geographic borders has been replaced by commerce, investment, technology, and cooperation.

According to Samper, the growing xenophobia that has appeared in developed countries essentially shows the unfair exchange of production factors has to be reviewed, because the rich restrict the circulation of labor, "which is our competitive factor," while they demand conditions to ease the access of capital and technology.

"Integration cannot simply refer to the exchange of goods and services," the chief of state said after insisting the "xenophobic movements are starting to prevent the free circulation of labor from developing countries, as capital and technology are allowed to do."

In this sense, the president criticized California's Proposition 187 the migration restrictions being imposed in Europe, and the French "Social Clause" proposal to impose compensatory rights to level the wages between Third World and developed nations, and he called the latter "a disquieting tax on poverty."

Despite those concerns, Samper has said he was confident the political mandate given at the recent Summit of the Americas to create a continental free trade zone, which is to start operating in 2005, will provide positive conditions to achieve comprehensive regional development.

He also has said he preferred Latin American countries multilaterally approach the North American Free Trade Agreement (NAFTA), comprised of Canada, the United States, and Mexico, because "thus the regional countries will be able to define the best rules for them to play in this new hemispheric program."

"Anyway, the important thing is that we get to it (NAFTA). I have said certain countries will get there by boat, others by plane, and still others by rockets. The important thing is that we all know exactly where we want to go," he has said.

Explaining ALADI's work within this new scheme, Samper has argued this organization, which has the support of several regional integration processes as one of its objectives, should become a type of GATT so as "to ensure our relations are uniform and to avoid member countries from negotiating individually."

Likewise, he considered the 10-year deadline established to create the continental free trade zone "as enough," because there are already well developed processes ongoing, such as the Andean Group (Bolivia, Colombia, Ecuador, Peru, and Venezuela), Mercosur [Common Market of the South] (Argentina, Brazil, Paraguay, and Uruguay), the Central American Common Market, and the Group of Three [G-3]

Referring to the G-3, which will be fully enforced on 1 January 1995, the Colombian president did not give much importance to the foreign exchange problems that have arisen in each one of the three countries, because, he has said, the process stipulates adjustments at a later date, not only in this sector but also in the monetary and fiscal ones.

Venezuela has remained under a rigorous foreign exchange control since mid-1994. The Colombian Government has announced its commitment to fight the revaluation of the peso, established by the autonomous Central Bank. The Mexican currency has suffered an abrupt fall against the dollar this week due to the armed conflict in the state of Chiapas.

When he approved the G-3 commercial agreement recently, Samper said this instrument "allows us to forecast, with warranted optimism, the initiation of a new era in which we will strengthen our economic, political, and cultural relations. We will start looking on the first of January for new roads to achieve our nations' social development and integration."

The G-3, the Andean Group, Mercosur, NAFTA, and the Central American Common Market mechanisms "allow us to ensure we will quickly evolve to the desired integration in a hemispheric free trade zone," Samper has said.

Sees Germany as 'Loyal Partner'

PA2312192494 Hamburg DPA in Spanish 1634 GMT 22 Dec 94

[FBIS Translated Text] Bogota, 22 Dec (DPA)—Colombian President Ernesto Samper has referred to Germany today as a "loyal partner" in commerce and also expressed his gratitude for the preferential tariff extension the European Union (EU) has given to the Andean countries that are combating drug trafficking activities.

Talking to the German News Agency (DPA), Samper said between Santa Fe de Bogota and Bonn there are "excellent commercial, cultural, and technical cooperation relations that position this European country as one of our most important allies."

"Germany has always accompanied Colombia in its defense of the coffee and banana trade," Samper added in reference to the two most important products in the country's economy.

The president, who said he would like to visit Germany in the coming months, recalled that Germans are the main consumers of Colombian coffee in Europe, and they have always insisted on the total liberation of the banana trade contrary to the EU majority decision that imposed a quota system in July 1993 to restrict the purchase of this Latin American fruit.

Likewise, the president praised the EU's recent resolve to extend the preferential tariff system to the Andean countries for 10 years. He said "it is one of the best gestures of effective solidarity received by the nations that are fighting drug trafficking activities."

"This action by the EU really helps us. We are not asking for unilateral or free concessions but, rather, for commerce and investment, and I believe this decision points in that direction," Samper said.

Foreign Minister Urges Active Support in Drug War

PA2712190394 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 27 Dec 94

[From the "National Newscast"]

[FBIS Translated Text] Colombia will not extradite former Peruvian President Alan Garcia. This was confirmed today by Colombian Foreign Minister Rodrigo

Pardo at his last meeting of the year with the media. The drug trafficking issue also was discussed.

As the Colombian Foreign Ministry sees it, former Peruvian President Alan Garcia will continue to reside in this country under political asylum. For the time being, there will be no extradition.

[Begin Pardo recording] We do not know whether the request from Peru's Supreme Court relies on the same arguments already presented by the Peruvian Government or different ones. As long as there is no official statement, and as long as we have no official information on this matter, the current political exile status of former President Garcia remains in effect. [end recording]

Foreign Minister Pardo said Colombia feels alone in the struggle against drug trafficking. He also said he hopes the nation receives effective cooperation rather than lip service from consumer nations. The denarcotization [desnarcotizacion] of relations remains a priority in President Samper's foreign relations agenda.

[Begin Pardo recording] Our aspirations and, in turn, our nonconformity arise from that fact that we need not only verbal expressions of support, but also deeds. [end recording]

Cali Cartel Lawyers Said To Offer Bribe

95WD0132X Santa Fe de Bogota EL ESPECTADOR in Spanish 8 Dec 94 p 12A

[FBIS Translated Text] An alleged emissary from the Cali Cartel chiefs attempted to bribe the national director of prosecutors, Armando Sarmiento, with 200 million pesos. This occurred after that official had held two meetings with the drug traffickers' lawyers, during which certain points relating to a possible surrender by these individuals were discussed.

This newspaper learned that, 15 days ago, a man claiming to be an emissary from the cartel offered the high-ranking official a "small gift," consisting of the sum in the millions. The intention was to induce the latter to collaborate and be more lenient in his treatment during the proceedings.

The bribery attempt was flatly refused by the national director of prosecutors, who immediately forced the subject to end the conversation abruptly, after voicing expletives at him and ordering him to leave his office.

Moreover, the director of prosecutors reported yesterday that the two meetings held early in November at his office were attended by the lawyers Juan Fernandez Carrasquilla, Bernardo Gonzalez, and Jorge Luis Gutierrez. They claimed to be representing the Rodriguez Orejuela brothers.

After declaring that there were no "negotiations" between the kingpins and the Prosecutor General's Office, Sarmiento revealed that the jurists had discussed the possibility of their clients' surrender, based on their compliance with due process, and their being offered guarantees of their security during their possible incarceration.

The defenders proposed to the high-ranking official a private meeting with the chiefs of the Cali Cartel, which received a resounding refusal from the director of prosecutors. He told them categorically: "I can only talk with them when they are in jail."

The director of prosecutors claimed to have clearly explained to them that the policy of submission is based on a voluntary surrender, confession of crimes, effective collaboration to be evaluated by the Prosecutors Office, and incarceration in a decent prison center.

The senior official declared that all proceedings involving drug traffickers and other criminals who have recourse to the policy of submission to justice and who obtain benefits will be reviewed and negotiated through the National Directorate of Prosecutors Offices.

He claimed that, for this purpose, his office had sent a circular letter to all of the country's prosecutors explaining this ruling to them, so as to unify views regarding the submission policy, thereby preventing misunderstandings and irregularities in connection with it.

Sarmiento maintained that the country requires the submission policy, which does not mean that there is no crime repression policy on the part of the State's security agencies, whose mission is to seek and capture lawbreakers.

The Rodriguez Orejuela brothers are currently facing proceedings for drug trafficking, illicit amassment of wealth, and conspiracy to commit crime.

Kingpins Said To 'Lack Will' To Surrender

95WD0132Y Santa Fe de Bogota EL TIEMPO in Spanish 8 Dec 94 p 16A

[FBIS Translated Text] Attorneys for the Rodriguez Orejuela brothers have carried forward contacts with the National Prosecutors Office. The agency warned that, without surrender, there will be no negotiations.

Yesterday, the National Prosecutors Office expressed the view that there is no will to surrender on the part of the aforementioned Cali Cartel kingpins, after confirming that three of the attorneys representing the Rodriguez Orejuela brothers in the proceedings being conducted against them have made some contacts with that institution.

Spokesmen for that agency remarked that the talks were useful in spelling out the Prosecutors Office's position regarding the implementation of the policy of submission to justice.

The National Prosecutors director, Eduardo [as published] Sarmiento, explained that the Rodriguez Orejuelas brothers' lawyers were clearly informed that the Prosecutors Office will implement the policy of submission. But they were told that this is based on the premise that what is involved is the criminals' submission to justice, and not the latter's submission to the former: hence, the fundamental requirements for surrender and confession of crimes.

The official stressed: "It is clear to us that there can be no surrender without confession."

Sarmiento revealed that meetings were held for two days with the lawyers Juan Fernandez Carrasquilla, Jorge Luis Gutierrez, and Bernardo Gonzalez, who have appeared as attorneys in several of the proceedings held against the Rodriguez Orejuelas brothers.

He claimed: "What one concludes is that there is no will to surrender. We are acting honestly, applying the law, and we expect a similar conduct from them."

Sarmiento indicated that the National Directorate of Prosecutors Offices is responsible for clearing up any possible doubts that exist regarding the effective application of the policy on submission. Therefore, through the directorate, attention has been given to the meetings putting the lawyers of criminals interested in submitting to justice in contact with the Prosecutors Office.

Sarmiento commented: "In fact, neither the Prosecutor nor the Vice Prosecutor has met with anyone thus far."

The official revealed that he had told Carrasquilla, Gutierrez, and Gonzalez, when they brought up the subject, that he was unwilling to meet with any of the Rodriguez group, accused of various crimes related to the drug traffic.

Sarmiento emphasized: "It seems to us that negotiations begin at the time that the criminal surrenders and confesses to a crime, and not before."

He added that those talks were held in his office, in broad daylight, and could never have been considered negotiations.

He explained that Fernandez, Gutierrez, and Gonzalez broached the subject of the incarceration site, in the event of a possible surrender. In response, they were told that the state has the obligation to ensure decent treatment for all convicts.

The national director of Prosecutors Offices confirmed the fact that, to date, the judicial authorities have made definitive decisions in only two of the proceedings against the Rodriguez Orejuela brothers.

The first proceedings are related to the sending of a cocaine shipment to Costa Rica, a case in which Miguel Rodriguez Orejuela has been called to trial.

Sarmiento also disclosed that, two weeks earlier, a prosecutor delegate to the National Court revoked a decision of the Cali judicial authorities, who had abstained from ordering an embargo measure against Gilberto Rodriguez Orejuela in proceedings for drug trafficking in which there is evidence available, sent by the United States.

Structure of Urban Guerrilla Network Outlined

PA2512011094 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 23 Dec 94

[From the "National Newscast"]

[FBIS Translated Text] Terrorist attacks, such as the one that took place in Cartagena de Indias, have prompted police to closely examine the urban guerrilla network. Let us now take a look at the groups that have been operating in Colombia's major cities since 1989.

The subversives have utilized urban networks as part of their war strategy. Nevertheless, urban guerrilla groups operating in the major cities of Colombia are mainly responsible for intelligence gathering operations. The primary mission of these urban guerrilla groups is to infiltrate state institutions, civic organizations, and community groups.

FARC [Revolutionary Armed Forces of Colombia] guerrilla groups operating in urban areas are known as the National Urban Network, and they are linked to guerrilla fronts operating at the department level. In each city, urban guerrillas are organized under a battalion that is divided into four companies. In turn, each company is divided into four platoons, and each platoon into four squadrons.

The National Urban Network operates mainly in Santa Fe de Bogota, Medellin, Barranquilla, and Bucaramanga. Funds used to obtain war materials for guerrilla groups operating in the countryside are obtained through bank robberies and extortion.

Meanwhile, the ELN [Army of National Liberation] groups operating in urban areas are known as Urban War Fronts, each of which is organized into four commands comprising five members apiece. The ELN Urban War Fronts operate mainly in Santa Fe de Bogota, Cali, Barranca, Aguachica, and Cartagena de Indias.

According to military intelligence sources, last year's demobilization of the Socialist Renovation Movement has weakened the structure of urban subversive groups operating throughout Colombia.

Planning Director Views Economic Results for 1994

PA2312192894 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 21 Dec 94

[Telephone interview with National Planning Director Jose Antonio Ocampo by Dario Arizmendi; place not given; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Unidentified announcer] The news agency AFP has reported Colombia's economy grew steadily this year. The gross national product increased by 5 percent, slightly higher than the 4.9 percent in 1993 according to the Economic Commission for Latin America and the Caribbean [name as heard] [ECLA].

[Arizmendi] Good morning, Dr. Ocampo. We are talking with the national planning director about the economic results for 1994. Dr. Ocampo?

[Ocampo] Good morning, Dario.

[Arizmendi] Does the government agree with the Colombian economy's 5-percent growth rate in 1994 as estimated by the ECLA?

[Ocampo] The corresponding document will be presented today; we expect it to be approved. Our estimate is higher than that.

[Arizmendi] Is it higher by 2, 3, or 5.5 points? [laughs]

[Ocampo] By several tenths.

[Arizmendi] Several tenths, but does that put us above 6 percent?

[Ocampo] No, but we expect to reach 6 percent in a few years.

[Arizmendi] In other words, we can expect not to be too far off by saying 5.5 percent?

[Ocampo] No. That is the estimated development rate, and I believe we will be able to attain that goal.

[Arizmendi] There is an ongoing controversy concerning interest rates. The financial sector states operations involving rates above 50 percent are being carried out. Former Foreign Trade Minister Juan Manuel Santos has requested that such interest rates be controlled by the administration. What does the government think about this matter?

[Ocampo] The government is concerned over interest rates and believes the monetary policy should simultaneously consider the behavior of payments and the interest rates so as to find out whether the policy is being excessively restrictive.

[Arizmendi] The executive has ruled out controlling interest rates as has happened in the past, albeit without very good results.

[Ocampo] Strictly speaking, this subject is not handled by the government. The Bank of the Republic would have to administratively control the interest rates.

[Arizmendi] The disagreement between the government and the Bank of the Republic is well known.

[Ocampo] That is part of the normal discussions in a country where the monetary authority is self-governing.

[Arizmendi] How can a government be accountable for the economy if the Bank of the Republic Board of Directors goes in a different direction?

[Ocampo] The Constitution stipulates a process of coordination of policies that has worked in several other instances. This policy coordination subject [words indistinct] is not exclusively ours. The monetary authority is even more self-governing in the United States. For instance, the monetary authority sometimes runs completely opposite to the government. There are famous instances, such as during the 1980's, when the monetary policy checked the economy suddenly, the fiscal policy continued to be [words indistinct]. In other words, this instance is not the only international one where some disagreement occurs in this field.

[Arizmendi] You have been an economist, worked in development, worked as the editor of economic publications. From a personal viewpoint, do you believe the administrative control of the interest rates works?

[Ocampo] That is a subject the people [words indistinct].

[Arizmendi] [Words indistinct] that the economy goes well, that the country is in a sort of straitjacket. Finance Minister Guillermo Perry said in a television program called "Face to Face" approximately 20 days ago that he was certain interest rates would go down by late December and that, on the contrary, it would be necessary to apply other measures if the they did not. What happens with Dr. Perry's predictions, which are not coming true?

[Ocampo] I believe he referred to what will happen to the Colombian economy after Christmas. The main event is that there is an unusually high demand for money the week before Christmas. This liquidity has been affected this year by a relatively lax monetary policy (?instead of) a monetary policy that sometimes has been quite restrictive. The result has been higher interest rates, which are the object of the government's concern.

[Arizmendi] What do you think about the agreement between Colombia and the Central American countries [words indistinct] ground prices to make them go higher again? What do you think of the coffee market situation?

[Ocampo] All available data indicate coffee will be relatively scarce next year, even for more than one year; therefore, any movements toward a reduction are the object of concern by many countries. Using the mechanisms of the Association of Coffee Producing Countries to try to control the (?market) is a valid resource. The market price was reluctant to go up by the actions of the buyers. The pressure in the direction of low prices has been relatively high now and, therefore, justifies this action by the coffee producing countries.

Fedesarrollo Director Views Social Pact

95CA0069A Santa Fe de Bogota EL ESPECTADOR in Spanish 11 Dec 94 p 2-B

[Commentary by Eduardo Lora, director of the Education and Development Foundation, Fedesarrollo]

[FBIS Translated Text] The Social Pact has been signed. After several weeks of negotiation, many doubts were dispelled and some commitments were specified. Thanks to the pact, inflation will be reduced in 1995. The government should not fail to take advantage of the respite that the country has given it.

Doubts That Were Dispelled

One of the major questions evoked by the Social Pact was whether it would be put in the context of a serious macroeconomic policy. This doubt was dispelled to a large extent. The government included its monetary, credit, and fiscal goals in the text of the pact itself. Also made clear was the fact that it will be willing to make additional cuts in public spending if the reduction of inflation fails to progress with the speed required for it to reach 18 percent at the year's end.

Another doubt dispelled was that regarding the implications of productivity. As we had feared, this was only a euphemism for a rise in the minimum wage over the inflation target. So much so, that the news media mentioned that "productivity remained at 2.5 percent." Despite all the rhetoric concerning productivity, it does not imply anything further. And it could not, because no one knows yet exactly what is being discussed.

It was further made clear that the government will not attempt to control prices except those already under control, at least on paper.

Commitments

The government assumed many more commitments than did the private sector. The most significant offer, which has gone somewhat unnoticed, is the promise to reduce tariffs. This is excellent news, because if anything was feared at the beginning of this government it was a shift in the opposite direction.

Besides promising moderation in public service and gasoline rates, the government promised greater effectiveness in controlling prices of registration fees, medicines, and rents. In this respect, it went too far, and runs of risk of having promised more than it can achieve. The recent increases in registration fees and rents are evidence of a shortage, due to the larger demand for this type of service on the part of families. The pact cannot change this market situation. On the contrary, it could complicate matters even more.

Some of the government's commitments will entail considerable fiscal costs, because the revenues of the public service enterprises and municipalities will be reduced. This could jeopardize the possibilities for privatizing some of those enterprises. On the other hand, having limited the increase in assessed valuations to 18 percent will reduce tax collections in many cities. This will contribute very little to reducing inflation and, conversely, will produce totally questionable distributive effects.

The private sector's commitments, for their part, are quite intangible. Only a few large business owners assumed concrete commitments that they must guarantee, as a valuable support for the Social Pact. However, for the vast majority of producers, the pact does not involve any effort, and the representatives of the ANDI [National Association of Industrialists], Fenalco [National Federation of Businessmen], and ACOPI [Colombian Association of Small Industries] will be able to do very little to prevent business owners and merchants from raising prices insofar as the market so dictates to them. This being the case, the tough problem of the low degree of trade union representation and the unions' inability to commit their members was left having its effect.

The unskilled workers, to whom the minimum wage is significant, are *the only sector that had to pay cash to join the club.* Thanks to this, they were given a small discount, which is 2.5 extra points above the inflation target. Having accepted this offer, the workers have, once again, given the benefit of the doubt to the economic authorities' promises.

What Will Happen to Inflation?

In 1995, inflation will be lower than what it would have been without the pact. There is no doubt about that. Whether or not it reaches 18 percent depends on an infinite number of factors beyond anyone's control. Nevertheless, there is one key variable that was left out of the pact, and could be useful in reconciling the situation. It is the exchange rate. Although the government has talked about a 13.6 percent devaluation, this figure was not included in the pact, because it is the Bank of the Republic that controls this variable, and it is not a party to this agreement.

Thus, the bank will be the external guarantor on which attaining the 18 percent goal will depend. We in Fedesarrollo have calculated that a devaluation no greater than 6 percent would be required to reach the target. This means taking into account the 20.5 percent adjustment in the minimum wage, and assuming that the commitments called for in the pact for public services, gasoline, and all industrial products will be kept.

A Respite

The private sector and the workers have accepted the proposition of concerted action, and have decided to give the economic authorities a respite. The responsibility borne by the government on its shoulders is not negligible. For things to turn out well, at the least setback it must be willing to sacrifice its spending aspirations even more than required by its agreements with the Bank of the Republic. Furthermore, it must avoid the populist temptation to seek scapegoats among producers, merchants, or landlords if inflation fails to decline rapidly. Finally, it must bear in mind that the goal is 18 percent, and not merely to reduce inflation somewhat. Good luck to everyone. This excellent opportunity should not be missed.

Ecuador

President Calls 1994 'Positive Year'

PA2412220794 Quito Voz de los Andes in Spanish 1200 GMT 23 Dec 94

[From "The Voz Andes Newscast"]

[FBIS Translated Text] President Sixto Duran-Ballen has described 1994 as a positive year for the government. He said despite hardships borne by the citizens who have endured strict measures, the country's situation is different now. There is enough money for investment and credit, among other things. Sixto Duran-Ballen said the 1995 economic plan does not include strict measures, only monthly adjustments in fuel prices.

A PRENSA LATINA report, however, states that 1994 saw the political weakening of Ecuadoran President Sixto Duran-Ballen, who suffered an overwhelming defeat in the parliamentary elections held in May. Duran-Ballen, who used to have enough congressmen to implement his economic reform plans, obtained a vote of less than 20 percent of the population. In the most recent elections, the ruling two-party coalition obtained only 13 percent of the seats.

Problems increased midway through the year when a corruption scandal emerged, involving the president's granddaughter. The opposition parties accused Emma Paredes Duran-Ballen of using the president's name to obtain government credits totaling $129,000. On various occasions, opposition leaders have tried to directly link the president with the case to discredit him.

President Sixto Duran-Ballen ruled out that the government would implement shock measures in 1995. The president said he will only apply monthly adjustments in fuel prices in accordance with the law on petrochemical products.

Specific Questions To Be Asked During Plebiscite

PA2312154094 Quito Voz de los Andes in Spanish 1200 GMT 22 Dec 94

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The government has ruled out presenting constitutional amendments to the Ecuadoran people in a single package or by categories in an upcoming plebiscite. Government Spokesman Carlos Larreategui has said specific questions will be asked during the plebiscite to avoid future misunderstandings.

The government will wait until 12 January for Congress to approve the constitutional amendments. It will call a new plebiscite if no advancements are made.

Meanwhile, Congress has adopted the strategy of approving the less controversial points and leaving the most conflictive ones for the government to call a new plebiscite. Congressional spokesmen have said it will be impossible to approve the entire package; therefore, priority will be given to articles that can be approved by consensus, while the remainder will be left pending so the government can include them in the next plebiscite.

Government Subsidizes Banana, Shrimp Exporters

PA2612203694 Madrid EFE in Spanish 1734 GMT 25 Dec 94

[FBIS Translated Text] Quito, 25 Dec (EFE)—Ecuadoran banana and shrimp exporters will receive direct state subsidies for one year to compensate for a 60 percent increase in the price of diesel, it was reported today. A presidential decree states that banana growers will receive seven cents on the dollar for each exported crate, while shrimp breeders will receive more than twice that (15 cents) for each half kg marketed abroad.

The measure will remain in effect until December 1995 and will benefit only those exporters who can demonstrate that they exported products between January and November 1994 and that their competitiveness overseas has been affected by fuel price increases. After petroleum, bananas and shrimp rank second and third among Ecuador's exports, yielding revenues in the first eight months of 1994 of $358.3 million and $337.2 million, respectively.

Paraguay

New Finance Minister Bareiro Interviewed

PY2212165694 Asuncion NOTICIAS in Spanish 18 Dec 94 pp 32-33

["Exclusive" interview with Finance Minister Orlando Isacio Bareiro Aguilera by NOTICIAS reporters Ramon Zalazar Martinez and Mario Ruben Velazquez; place and date not given]

[FBIS Translated Text] [NOTICIAS] What will you do first?

[Bareiro] We will select people with the expertise and moral standards for key jobs at the Finance Ministry. This does not mean those holding such jobs will be "swept away." We will reorganize the ministry and apply a new approach to management.

[NOTICIAS] Then what?

[Bareiro] Given the challenge that Congress has created for us by increasing salaries, we will have to increase our efforts to curb evasion and collect enough money to cover the additional spending.

[NOTICIAS] Are you worried that some expenditures will not be covered?

[Bareiro] I am concerned about the inflexibility of budget allocations for personal services because it leaves us very little tax money for investments. Congress approved more spending than we had expected.

[NOTICIAS] How much more?

[Bareiro] We had budgeted for a military salary increase which would have increased the allocation for public personal services by 8 percent. Congress rejected the proposal of the executive branch and granted salary increases to all public servants. This averaged out at 12.75 percent on our personal services which means the Treasury will have to collect a lot more money.

[NOTICIAS] Why was an increase proposed only for the military?

[Bareiro] Lawmakers and society as a whole are aware that the military personnel are poorly paid and called upon to do a lot. They are prohibited from engaging in private activities and are on call 24 hours a day.

[NOTICIAS] So are teachers and nurses.

[Bareiro] Nurses earn a salary for working shorter hours than the military. For example: in 1988 a teacher working two shifts was making 63 percent of the salary of a lieutenant's salary. The tables have now turned: a teacher makes 13 percent more than a lieutenant. Thus, salaries of the civilian public servants have increased while military salaries have fallen behind.

[NOTICIAS] Do you agree with the budget bill Congress approved?

[Bareiro] It is easy to say that by getting rid of smuggling and tax evasion we will be able to collect more than enough. The thing is, how to do it. Laws and decrees will not end smuggling and tax evasion.

[NOTICIAS] Will this budget be vetoed?

[Bareiro] I think not. Together with the Tax Department, we will try to implement ways to increase our revenues.

[NOTICIAS] How do you plan to fight corruption within the Finance Ministry?

[Bareiro] Corruption comes from two sides: public officials and private business. We need private business to cooperate, to stop offering bribes, and to use the appropriate channels.

[NOTICIAS] Will you be harsh on bribery?

[Bareiro] Bribery should be punished severely. Penalties are either not set or not enforced. Once penalties are enforced it will set an example for the people to see. Congress is now debating a law to punish corrupt officials and those who offer bribes.

[NOTICIAS] You always ask the media to provide evidence of corruption.

[Bareiro] We need concrete evidence; frequently corruption is reported but no evidence is supplied. It is the word of the journalist against that of the accused official. It is debatable whether photographs are evidence enough to punish an official.

[NOTICIAS] Maybe not for the courts but they certainly should be enough for the management.

[Bareiro] Management must conduct an internal investigation and that is what we need evidence for. That is why we ask the media to provide evidence, not just photographs.

[NOTICIAS] Will you bow to political pressure on the appointment of some officials?

[Bareiro] Well, suggestions about this or that person are bound come from a variety of sources. In some cases I may heed such suggestions. Why not, if the person who is being recommended meets the necessary requirements.

[NOTICIAS] What if you are simply told to appoint somebody?

[Bareiro] I will have to see who is being recommended. If this person is worthy, why not, even if some people disparagingly call him party boss.

[NOTICIAS] Have you received any "suggestions" already?

[Bareiro] Not yet.

[NOTICIAS] Will you reorganize the Tax Department?

[Bareiro] Let us see if we need to change methods, approaches, get more aggressive in some areas. Maybe the person currently at the helm will be more useful elsewhere. In that case we will appoint someone new to implement these new programs.

[NOTICIAS] Yours is a controversial ministry. You will be under a lot of pressure.

[Bareiro] It seems you have a crystal ball.

[NOTICIAS] Former Minister Diaz Perez denounced such pressure, and Sandoval did not fare much better. Will you endure outside pressures?

[Bareiro] I have already told you that there are always suggestions. Some can be complied with, others cannot. We will have to wait and see. Let us see what is being suggested.

[NOTICIAS] Are you free to appoint the members of your team?

[Bareiro] Yes. I will submit to the president my proposals for team members and it is obviously for him to decide whether these people will get the jobs. Three names must be proposed for each job.

[NOTICIAS] What do you expect from your subordinates?

[Bareiro] Ability and honesty. These are the two basic requirements to be in public service.

[NOTICIAS] What will be the economic policy guidelines?

[Bareiro] The Finance Ministry will collect the money and execute the budget. The Economic Team led by Presidential Economic Adviser Carlos Mersan Galli will outline the macroeconomic policy with the help of the Technical Planning Secretariat (STP).

[NOTICIAS] Does this undermine the decision-making power of the Finance Ministry?

[Bareiro] No, the Constitution clearly states that the Finance Ministry role is to collect funds and coordinate state spending.

[NOTICIAS] How do you see our economic future?

[Bareiro] Good. Our inflation is low and under control. There is a fiscal surplus. Policies to encourage investments are being implemented. We also have the Common Market of the South which is a very good opportunity for Paraguay.

[NOTICIAS] What about the expected inflation?

[Bareiro] We expect that in 1995 inflation will be 9 percent, while this year it reached 18 percent at the end of November. We estimate economic growth in 1995 at between 3.5 percent and 4 percent. The exchange rate of the U.S. dollar will average 2,040 guaranies.

[NOTICIAS] Did you think you would become minister at your age?

[Bareiro] Honestly, I did not.

Oviedo Lauds Democracy, Criticizes Congress

PY2312145094 Asuncion ABC COLOR in Spanish 23 Dec 94 p 4

[By "special correspondent" Ignacio Martinez Dominguez]

[FBIS Translated Text] San Jose Obrero, Santa Rosa de Mbutuy—Army Commander in Chief Division General Lino Cesar Oviedo toured several campesino settlements, including those of Sidepar [Paraguayan Iron and Steel Company] and former Acepar [Paraguayan Steel, Inc.] (San Juan) in the department of Canindeyu, that are receiving assistance from the Armed Forces. He was accompanied by the majority of vice ministers and presidents of state enterprises. In each locality he addressed the campesinos in Guarani and Spanish, making it clear that the group had arrived from Asuncion on the express orders of the commander in chief, engineer Juan Carlos Wasmosy. In his speeches, Oviedo repeatedly asked journalists to faithfully reproduce what he said.

"Everyone uses democracy. Some use it to lie, but lies are short lived; truth and capability always triumph. The campesino has not been gagged since 2 and 3 February 1989; he is no longer tied to a tree and beaten. Given our great country, he can now express his concerns, whether it be day or night.

"Some say that I am antidemocratic, and I ask them: Where were you on 2 and 3 February 1989? They were in Buenos Aires, Argentina; they were in the cafes with their legs crossed, without concern for the danger of whether the coup d'etat would be successful. You guys, I am not going to tell them where I was, or who I brought to his knees," Oviedo said, referring to his role in the coup that toppled [Alfredo] Stroessner.

"Watch it, you guys. We must not retreat; our knees must not tremble. I can tell you guys that no one is going to make me retreat with lies; my knees will not tremble; I do not have dirty hands. Nor have I stolen from my fatherland, never. My father and my grandfather did not bring me up to be a bad guy, to be ungrateful and not pay my taxes," he said.

Referring to the congressmen, he said: "They cook up a law for us, for the military, to close our mouths, but what we do not know is whether the person capable of doing this has yet been born in Paraguay," he stressed. He added: "They now want us to shut up and put our tails between our legs. I want you to know, my dear campesinos, that an authentic Paraguayan is the commander of the Army. The Paraguayan Army has always made common cause with the people, and today, whether or not they like it, it is the most firm and iron-willed defender of this democracy."

"The people are the sovereign in a democracy—you, my dear fellow countrymen. He who is on top no longer does what he likes and he can no longer direct the authorities with his finger. We must not fail, you guys. If an unknown upstart could not violate our daughters, he would violate our wives," he said.

Oviedo said the truth must reign in Paraguay. "The truth must prevail in the country because with lies we are going to bilk ourselves. If we live in the midst of lies, then we are going to lose confidence in ourselves, and those who sell their consciences to tell lies are the worst ones. This is a serious crime," he said.

Editorial Views Mercosur's Future, Nation's Role

PY2112180294 Asuncion ABC COLOR in Spanish 21 Dec 94 p 12

[Editorial: "Ouro Preto Consolidates the Integration of the Mercosur"]

[FBIS Translated Text] The signing of the Ouro Preto Protocol by Presidents Juan Carlos Wasmosy of Paraguay, Carlos Menem of Argentina, Itamar Franco of Brazil, and Luis Alberto Lacalle of Uruguay in the Brazilian colonial city of the same name marks, on the one hand, the conclusion of a difficult integration process that began four years ago with the signing of the Treaty of Asuncion, and, on the other hand, it also marks the beginning of the customs union and of the free trade zone between the four member countries of the Common Market of the South (Mercosur).

Although the customs union that is to go into effect on 1 January is only partial, it implies that at least 85 percent of the current tariffs pertaining to trade outside of the Mercosur in Paraguay, Argentina, Brazil, and Uruguay will be unified. And, in a similar way, more than 90 percent of the products of inter-regional trade will circulate without any tariff blockades. And it is obvious that the free circulation of merchandise will be extended to capital, services, and individuals.

By the year 2001, the customs union and free trade within the Mercosur will be nearly perfect, and there will only be a few items to be unified for the year 2006. During that period, the integration process will proceed precisely in accordance with the institutional structure established in the Ouro Preto Protocol, norms that will be of an obligatory nature for the member countries and that will also permit the resolving of any controversy that may arise among the member countries.

The gargantuan and ancestral barriers that aborted trade between the Mercosur countries will, in great measure, be knocked down with the beginning of the new year full of hope that is approaching, although of course there will also be understandable fears and uncertainties for the 200 million souls that make up the regional market.

The Mercosur constitutes an immense and powerful market with an extension of approximately 12 million square kilometers, with $750 billion in yearly production and an export volume of more than $55 billion, characteristics that make it the fourth most important market in the world, surpassed only by the NAFTA, the EU, and Japan.

Its power on the world economic map will allow the Mercosur member countries to not only negotiate more equitable conditions for trade outside of the Mercosur by reducing the tariffs and protectionist barriers that traditionally made it difficult to place its products in important markets; it will also be able to offer more attractions to foreign investment for the acquisition of various types of industries.

An important part of the future competition between the member countries of the Mercosur will be directed at the capturing of foreign investment by establishing the best possible conditions for the placing of foreign capital in their territories, rather than offering better products at lower prices.

Without a doubt these conditions are linked to legal security, economic stability, the level of taxes on capital and profits, labor costs, the flexibility of labor legislation and the availability of qualified workers, the flexibility of bureaucratic dealings, and the productive infrastructure that is in place within the countries, including highways, ports, electricity, telecommunications, and drinking water.

The countries that offer better conditions will attract more investment, and this will allow them to grow more quickly, create more jobs, and quickly increase their productivity. Thus they will be able to increase their real salaries and the standard of living of their peoples more quickly.

This is a competition that Paraguay can and must win. Success can only depend fundamentally on the modernizing of the country by those who govern us.

Peru

Bilateral Trade Talks With Mexico To Begin January 1995

PY2312185594 Madrid EFE in Spanish 1756 GMT 21 Dec 94

[FBIS Translated Text] Lima, 21 Dec (EFE)—Lilian Canale, the minister of Industry, Commerce, Tourism, and Integration, reported today that Mexico and Peru will begin negotiations in January 1995 toward a bilateral trade agreement.

Stating that talks will begin during the third week of January, Canale added that any resulting agreement should not be understood as a step toward Peruvian entry into NAFTA—which comprises Mexico, the United States, and Canada.

The minister explained: "Each of those countries maintains bilateral rapprochement and bargaining capacity separate from other bilateral agreements."

Canale also confirmed that Peru intends to join the Common Market of the South (Mercosur), which comprises Argentina, Brazil, Paraguay, and Uruguay, within three or four years.

Peruvian officials are also promoting the integration of Mercosur with the Andean Group (Gran), of which Peru has been a member since 1969, together with Bolivia, Colombia, Ecuador, and Venezuela.

She added: "We have a common strategy within Gran, but each country must individually negotiate with Mercosur to establish which are their sensitive products."

Government, EU Sign Financial Agreements

PY2712232094 Lima Radio Programas del Peru Network in Spanish 1800 GMT 27 Dec 94

[Report by Enrique Vidal from the Foreign Ministry—live]

[FBIS Translated Excerpt] Efrain Goldenberg, foreign minister and president of the Council of Ministers, and the European Union representative in Peru, (Sabato de la Monica), signed today at the Foreign Ministry two important non-reimbursable financial cooperation agreements for financing the following projects:

The overall development of women in peasant and poor urban areas in the regions of Piura and Ayacucho, with European Union aid totaling $6 million, and a program to support coffee production in the Peruvian Andean regions, aimed at promoting exports by improving quality and marketing conditions, in addition to improving the technical and administrative capabilities of the coffee cooperatives in the various valleys of Puno Department and the central jungle region.

Minister Efrain Goldenberg said, after signing the agreements with (Sabato de la Monica), that in the period 1992-94, the European Union granted Peru technical cooperation assistance totaling $180 million, making Peru the first beneficiary in Latin America. [passage omitted]

After this event, Minister Goldenberg signed another agreement with the ambassador of The Netherlands for the reciprocal promotion and protection of investments. After the ceremony, Goldenberg said that The Netherlands is among the first three investors in Peru, with investments totaling $270 million. Goldenberg concluded by saying that the agreement represents an instrument for protecting investments from the European Union.

Single Opposition Candidate Plan Seen To Be Failing

PY2312173394 Madrid EFE in Spanish 1716 GMT 22 Dec 94

[FBIS Translated Text] Lima, 22 Dec (EFE)—The lack of consensus within the Peruvian opposition is threatening a proposal to have Javier Perez de Cuellar as the only opposition candidate in the 1995 Peruvian general elections.

The initiative proposed by Gustavo Mohme, a former leftist senator and Perez de Cuellar's aid, was rejected outright by some candidates and conditioned by others to political agreements that will be hard to reach.

Former Senator Mercedes Cabanillas, presidential candidate of the American Popular Revolutionary Alliance (APRA, which is directed by former President Alan Garcia), said: "It is impossible to withdraw now," with only three months left before the elections.

Cabanillas added: "The single candidacy should have been launched at the appropriate time." She added that last July the opposition proposed that Perez de Cuellar should head a single electoral ticket, but he refused.

Economist Alejandro Toledo, the Democratic Coordinating Movement- Peru Viable Nation candidate who is third in the polls, said he is willing to join an opposition front "based on a proposal of realistic and responsible government."

Analysts believe it will be difficult to reach that type of agreement because one sector of the opposition advocates a return to the state control policies that ruled until 1990, while the other wants to continue the liberal program of President Alberto Fujimori.

Ecologist Sixtilio Dalmau, the New Peru Movement-Decentralist Popular Force candidate, said he is willing "to fight Fujimori's autocratic style" by withdrawing his candidacy in favor of Perez de Cuellar.

Dalmau called upon Perez de Cuellar: "To join the effort, leaving aside his relatives and forming links with the opposition" alluding to the presence of Perez de Cuellar's relatives in his group.

Maximo San Roman, vice presidential candidate for the Obras Civic Movement headed by Lima Mayor Ricardo Belmont, was even more drastic in his answer saying: "Those who think they have lost already may withdraw, we continue in the race."

The only candidates willing to withdraw without major conditions were Lourdes Flores of the Popular Christian Party (PPC) and former Lima Mayor Alfonso Barrantes of the United Left (IU).

The possible withdrawal of Lourdes Flores was already known before Mohme's proposal and it is known that the PPC leadership has been holding a heated debate on this issue for the last two weeks.

Barrantes called on other opposition candidates to ponder on "the need to defeat Fujimori's reelection aspirations" and called on them to meet to discuss this issue as soon as possible.

Barrantes said the agreement must be reached before 9 January—the deadline for registering congressional candidates—so that the opposition can register a single list.

The proposal to have Perez de Cuellar as a single candidate seeks to lift his candidacy, which has not moved in the polls from around 18 to 20 percent compared to 47 and 50 percent for Fujimori.

The number of votes that would go to Perez de Cuellar from the withdrawal of other candidates would not be enough, however, because all the other opposition candidates together only muster 15 percent.

The opposition believes a sudden 15 percent rise in the polls for Perez de Cuellar could bring in the votes of the undecided.

Some analysts believe this is possible but the polarization of candidates between Perez de Cuellar and Fujimori could finally favor Fujimori more than Perez de Cuellar, "but this will only be known after the elections."

Perez de Cuellar Rejects ECLA Report

PY2312195794 Madrid EFE in Spanish 0148 GMT 21 Dec 94

[FBIS Translated Text] Lima, 20 Dec (EFE)—Former UN Secretary General Javier Perez de Cuellar today rejected a recent report by the Economic Commission for Latin America (ECLA), which states that Peru has the greatest economic growth in the region.

The former UN secretary general and candidate for the presidency of Peru, told the press: "The important thing is not growth on a piece of paper" but growth in the living conditions of the people, adding that more than half the Peruvian people live in poverty.

He said: "The people cannot agree with that report because it talks about growth on a piece of paper when the important thing is real growth in the stomach of all Peruvians."

The ECLA report was emphasized today by the media as "good news" for Peru, because it states that, for the second consecutive year, Peru has had the greatest economic growth in Latin America.

The GDP will grow this year by at least 11.0 percent, surpassing by far the highest Latin American growth last year, at 6.5 percent.

The document states that Peru's growth comes within a context "of full political stability and a reduced inflation rate," having experienced a recessive period from 1988 to 1992, when the GDP dropped 24 percent.

Peru's dynamic economic growth is attributed in the report to the "strong expansion of investments and the growth of exports which contributed one fourth of the GDP."

Perez de Cuellar, who is second in the polls with an average of 20 percent against almost 50 percent for his main opponent—current President Alberto Fujimori—is one of the most bitter critics of Peruvian economic policy.

Although his criticism is focused mainly on the social aspects of the program, which is considered the Achilles' heel of economic policy, Perez de Cuellar also notes the need to "improve" some of the current economic reforms.

Presidential Candidates, Minister Address Conference

Fujimori Addresses Conference

PY2012235794 Lima EL PERUANO in Spanish 5 Dec 94 p A4

[FBIS Translated Excerpt] Ica—Alberto Fujimori, presidential candidate for Change-90 New Majority, addressed CADE-94 [Annual Conference of Business Executives] yesterday. He said that if reelected, his government will invest $10 billion in the social field next year.

Fujimori said the fiscal surplus will be used for development and to fight poverty. He expects less than 10 percent annual inflation in 1995.

In his address to more than 700 businessmen at the conference organized by IPAE [Peruvian Institute of Business Administration], Fujimori said enterprises and corporations that invest millions of dollars in Peru have assessed the projections and their future for the coming 20 years.

He said investors are certain Peru will be a "tiger" in Latin America, adding that "nobody is crazy or eccentric enough to invest in a country run by an autocrat with feeble economic achievements."

Regarding the resources earmarked for social projects, Fujimori explained that it is part of a $21 billion project. He mentioned the 8-9 percent GDP growth this year as a favorable economic indicator.

Fujimori asserted that this growth may become consolidated, not with great and spectacular changes but rather with a modern market regime safeguarded by the Constitution, with natural resources and a working and intelligent population.

He insisted that now Peru can be governed and is becoming a feasible country. He noted that conditions now exist for growth and a gradual improvement in employment and the peoples' wellbeing. He mentioned mining, fishing, agro-industry, and the hotel industries as the pillars of this growth.

Fujimori stated: "Our country has made significant progress in the past four years thanks to the courage of its people. Let us not forget that the fruit of a true democracy is not merely a president and a Congress elected every five years, but a nation that can gradually pull out of underdevelopment, backwardness, and misery." [passage omitted]

Alberto Fujimori yesterday said he will abide by laws approved by a consensus in Congress based on proposals submitted by the National Elections Board (JNE), listing activities in which the presidential candidates cannot participate.

Fujimori said: "I would regret it if the president of the Republic is banned from heading, during the electoral process, the modernization plan in the education field and is prohibited from paying inspection visits to new schools. This type of restriction should not exist, but still I will respect the law as promulgated." [passage omitted]

Finance Minister on Retraining

PY2012215894 Lima EXPRESO in Spanish 2 Dec 94 p A2

[Report by special correspondents Maria del Rosario Pajuelo and Eduardo Garcia]

[FBIS Translated Text] (Ica)—The implementation of a unique program, designed to increase employment levels throughout the country by training workers who have been dismissed from public and private enterprises so that they can find new jobs, was announced yesterday by Economy and Finance Minister Jorge Camet Dickman, during his address to CADE 94 [1994 Annual Conference of Business Executives].

The minister made this announcement after disclosing that during the 1994-98 period the government will implement public investment programs amounting to $6 billion in various production sectors. These programs will be financed with Treasury funds and credits already obtained from multilateral organizations.

Minister Camet spoke for about 30 minutes about the government plan to increase employment levels, which have dropped drastically over the past few years.

In the case of workers dismissed from public and private enterprises due to the rationalization and economic reorganization process, the minister explained that the government will soon implement a pilot plan financed by the IDB [Inter-American Development Bank] through the Multilateral Investments Fund credit.

He explained that the program consists of helping at least 60,000 workers per year who are currently unemployed get new jobs after taking a training program. Camet explained that the program is designed to stop the unemployment levels from growing. The main objective is to give these dismissed workers a new job in the private sector, or through the government's implementation of the public investments program.

Camet mentioned the case of Siderperu [Peruvian Iron and Steel Enterprise], which in view of its upcoming privatization is training its personnel to become small businessmen serving the same enterprise once it is run by the private sector.

The minister then elaborated on what he believes should be the government's labor program for the coming years. In the first place he mentioned the need to progressively eliminate the state's obligation to set the Minimum Crucial Salary [Remuneracion Vital Minima] (RMV) and let it be freely established by the market.

In this regard he said that one of the main inconveniences of this system is that every time the RMV is adjusted it only benefits 20,000 workers of the Economically Active Population (PEA) (2 percent), compared to the thousands of youths who are dismissed for earning just a little more.

Second, Camet referred to the need to free up the administration of justice in the labor field, which is currently in the hands of the executive branch through the Labor Ministry. He said that an arbitration mechanism should be used to resolve conflicts between employers and employees at all levels.

After demanding greater flexibility in the Peruvian labor market, he announced the modification within the short term of the Employment Promotion Law. The changes will refer to training and pre-professional practices in enterprises.

He commented that in the case of training contracts, current law regards youths up to 21 years old who have been hired for 18-month periods as subject to these contracts. He announced that the contract period will be extended to three years, and the ceiling age of those subject to these contracts to 25 years.

Camet commented: "This program could generate massive income and a fast hiring of labor."

As far as wages and salaries are concerned, Camet referred to the levels registered during the APRA [American Popular Revolutionary Alliance] administration, which were gnawed by inflation, and the progress made in this field since then.

He said that wages have since 1990 experienced a real increase of 54 percent, while salaries have gone up 28 percent.

Camet added that within this framework the difference between the average salary established through a collective bargaining system and that established without negotiation dropped from 30 percent in 1990 to 9 percent this year.

Finally, he disclosed that as compared to the last quarter of 1993, the number of jobs during the last quarter of this year increased by 5 percent in the services sector and 2 percent in the commercial field. Camet concluded by stating that these indicators reveal that the country's labor market is experiencing a recovery, that is, without counting jobs in the tourism and industrial sectors.

Regarding this subject he disclosed that the $6 billion earmarked for this purpose will be distributed as follows: $1.5 billion for a highway network, including the Panamerican Highway; $1.1 billion for rural development projects, especially irrigation systems and the registration of property; $1 billion for water and sewage systems; $700 million for the education system; $530 million for health; another $530 million to fight poverty; $300 million for local and municipal development; and $400 million for rural electrification projects.

Perez de Cuellar Proposes Pact

PY2112211094 Lima EL COMERCIO in Spanish 4 Dec 94 pp A1, A7

[FBIS Translated Text] Ica—Javier Perez de Cuellar, the Union for Peru Movement presidential candidate, addressed the CADE 94 [Annual Congress of Business Executives] today. He proposed a pact to establish the grounds for creating jobs, fighting poverty, decentralization, and an all-out war against drug trafficking and terrorism.

He commented: "As we say in good Spanish, I will not have a fit if I do not have a majority in Congress. I am good at negotiating and reaching agreements. I have spent my life doing so. I guarantee governability in democracy. Democracy guarantees us the credentials to conquer every market and will prevent everyone from changing their minds about investing in Peru."

Perez de Cuellar mentioned other important issues that should be included in this so-called "Pact for the Future:" good education for everyone, the provision of title deeds to the owners of rural and urban property, and the competitive incorporation of Peru in the international economy.

At the end of his speech he said: "This pact will grant the country a stability that does not mean a dictatorship. Long-term stability does not mean authoritarian power, rather the peaceful power of sound institutions with responsible and democratic governors. This is the power that, within the framework of democracy, I wish to exercise as of 28 July 1995."

The former UN secretary general, who disclosed the general guidelines of his proposal, noted that the country has been almost pacified. "Now we must attain full peace, which means a judicial branch to which one can turn to without fear, even if one is poor. Peace means certainty of finding a worthy job."

The most moving part of his speech was when he asked the auditorium for loud applause for National Police General Antonio Ketin Vidal—who was responsible for Abimael Guzman's capture—who he said is a symbol of the heroes in the war against terrorism.

"My government will continue to energetically fight terrorism until it is completely defeated. I will offer General Vidal the highest responsibility so that he may head this task. He has proven that total war against terrorism, respecting human rights, is possible."

Perez de Cuellar added: "I will not tolerate a witch-hunt against officers and soldiers who participated in this struggle. Under my administration, justice will promote national reconciliation. I will not negotiate with terrorists. Abimael Guzman will not leave his cell."

Perez de Cuellar warned that in the economy field, populism has only caused problems, saying: "The great macroeconomic equilibrium must not be altered."

He added that the fiscal deficit is not the only thing that must be corrected. There are other very serious problems pending: the foreign trade deficit, the social deficit, and the employment deficit.

Asked about privatization, he said he is not against selling public enterprises although he ratified that, in the case of Petroperu [State Petroleum Agency], it would be convenient to postpone its sale until the next administration, insisting that the state should administer part of it.

Regarding constitutional affairs, he said he was in favor of reforming the Constitution to eliminate immediate presidential reelection and again divide the legislative branch into two houses, although with a smaller number of members than in the past. He stressed that to negotiate the foreign debts he will use his international contacts to improve the terms of agreements for Peru.

Armed Forces Joint Command Chief Interviewed

PY2312160094 Lima EXPRESO in Spanish 11 Dec 94 Special Supplement pp 16-18

[Interview with General Nicolas de Bari Hermoza, Armed Forces Joint Command chairman, by unidentified reporter; place and date not given]

[FBIS Translated Text] [EXPRESO] General, have we ended terrorism?

[Hermoza] We cannot shout about it but obviously there is a victory. In rural areas there are common criminals who don't follow any ideology but who give protection to drug traffickers. In urban areas there are common criminals involved in hold-ups and blackmail who pose as terrorists. Terrorism is no longer a threat to Peru.

[EXPRESO] We want to tell the people who are concerned about terrorism is that genocide by Shining Path terrorists has ended.

[Hermoza] It can be easily seen in cities like Ayacucho, Tarapoto, and Huallaga, that people are convinced terrorism has been defeated. Based on the strategy of military control, we implement permanent and overall measures and actions to guarantee security. The Army, Navy, and Air Force are working ceaselessly to finish off the last traces of this social scourge.

[EXPRESO] What advice would you give the population?

[Hermoza] I believe people should always remember the bloody years of terror, shame, blood, pain, and isolation. Every Peruvian should now deeply search for an answer: How did Peru get to that extreme? Now, at this time of victory, they can see that when there is planning and cooperation between the people and the Armed Forces, anything can be achieved.

[EXPRESO] Please give me a sincere answer: Do civilians respond to your calls? Have they put their fears aside?

[Hermoza] I would answer with a single phrase: The people and the Armed Forces united for Peru. Look, 10 years ago no one would have imagined that the people would be so fully identified with their Armed Forces as they are now. In the case of the Army, soldiers were welcomed as real liberators by the Ashaninka Indians. This can be verified when the call for military service is made. The number of volunteers is much higher than that required.

[EXPRESO] There is no need to tell you that some sectors state that total pacification will not happen without a real plan against poverty.

[Hermoza] According to the constitutional mandate, the function of the Armed Forces is to guarantee national security internally and externally, and to participate actively in national development. We are fulfilling that mandate now more than ever. Having deactivated the main terrorists leaderships, we are participating in national development through various actions.

[EXPRESO] What do those actions involve?

[Hermoza] For example, military engineers are using 80 percent of their operating capabilities in the national road building plan. This has facilitated the repair of 4,529 km of highway, and the construction of more than 160 km of new roads over the past three years. We even paved more than 120 km. Almost all the bridges destroyed by terrorists have been rebuilt. For this we have excellent equipment that was provided by this government. Thus, settlements that were isolated by violence are being incorporated or interconnected with other cities of the Republic.

[EXPRESO] Why are the Armed Forces now involved in the struggle against drug trafficking?

[Hermoza] According to the Constitution, the Armed Forces have the obligation of participating in anything directed against national security. Look, when drug trafficking involves four, five, or more people—a group—in the country, it is a police problem. But when this criminal industry affects humanity and involves a large percentage of the country's population, then it becomes a problem for the action of the Armed Forces.

[EXPRESO] How much progress has been made in this regard?

[Hermoza] As you know, the state resources are not yet sufficient to simultaneously attack all the problems burdening us: terrorism, drug trafficking, unemployment, education, health, etc. This is why the government strategies are implemented based on priorities by first destroying the most harmful problems to help the actions against the other problems. What I am saying is that now that terrorism is finished, we began an all-out struggle against drug trafficking. The president has drawn up a strategy against this scourge, implementation of which will begin in January 1995.

[EXPRESO] What about some statistics on the achievements made?

[Hermoza] Let me answer your question directly by saying that more than 80 clandestine airfields have been destroyed, 33,840 kg of drugs have been seized, and 445,392 kg of elements for making drugs have been confiscated. More than 13,000 narcoterrorists have been captured, and more than 80 light airplanes have been intercepted and confiscated. Also, 609 coca maceration pits and 108 laboratories have been destroyed. Additionally, alternative development has been carried out whereby hectares of coca have been replaced by rice, corn, and fruit. But the interesting aspect of this is that the replacement was made voluntarily as a result of the massive construction of roads and bridges and, of course, the strict control of drug trafficking. I believe Peruvians should know what has been achieved with the economic resources of the national budget.

[EXPRESO] Are members of the Armed Forces involved in drug trafficking?

[Hermoza] Look, the first moral protection against any type of crime is given to the future officers in the Military School. The ideal profile for each officer is sought to help him face with dignity all the problems affecting humanity by resorting to the latest technology and procedures. But as you know, there is in every human group what is biblically called the "wayward sheep," and in response to this situation, the institution acts drastically.

[EXPRESO] General, the Army Day celebration is again approaching. What is your reflection on this occasion?

[Hermoza] The Army has been involved in a nonconventional war to defend the country's interests that has been going on for more than a decade. This struggle served to test the monolithic unity of the force. I believe it is one more occasion to ponder. The Army's contribution to the nation has not been restricted to defense matters only, but has extended to all kinds of human activities. Another anniversary of the battle of Ayacucho for the emancipation of the Americas will be celebrated on 9 December and its example should be the guiding force to every good soldier.

[EXPRESO] As general commander, what do you think of the Army?

[Hermoza] A soldier is a man who is linked to history, to culture, and to the fatherland, and who fully respects his institutions, his national symbols. The reason for this is because the Peruvian Army was born from among the people. It is an institution resting on its monolithic unity, which has made it a glorious Army throughout history.

[EXPRESO] What is the current situation of the zones under emergency?

[Hermoza] This is where the criminal Shining Path organization imposed its presence by murdering without pity entire populations. But we now see with satisfaction that in those regions life is back full of optimism under a new environment of tranquillity that, with Army support, is gradually extending to the entire national territory. But it is also the time to remember the martyrs, the heroes who died fighting with courage in this struggle. The scene could have been a cold place in the mountains, in the Huallaga jungle, or in the coastal region.

[EXPRESO] I am sure all Peruvians will remember them.

[Hermoza] We know they will because these soldiers died to prevent the wrong Peruvians, the fanatic followers of obsolete ideologies, from achieving their goal of changing our flag with emblems that are foreign to our way of life.

[EXPRESO] After the goal of defeating terrorism is achieved, what actions will the Army take?

[Hermoza] The Army will permanently continue to watch over the consolidation of peace and the country's development by supporting those who need it most to encourage their participation in national development.

[EXPRESO] If you will allow me a final question: What can you tell me about the problem of military personnel who carry electoral registration identification, which is only allowed for civilians?

[Hermoza] First, let me recall some bad moments. For several years, when terrorists took over public transportation vehicles carrying people to the provinces, the first thing they did was to search for the passengers' identification documents. When members of the security forces were identified, they were murdered on the spot.

[EXPRESO] Yes, I read about those cases in the press.

[Hermoza] Our answer was to search for a strategy to protect our people. We decided to request that some security members be given electoral registration identification to protect their lives. That is all there is to it. To overcome this problem, I ordered that the list of all our active duty personnel, including the list of personnel on mandatory military service, be given to the National Election Board to clear their names from the electoral registry.

Venezuela

President Appoints Defense Minister, High Command

PA2712181194 Caracas Venezolana de Television Network in Spanish 1630 GMT 27 Dec 94

[Interview with Defense Minister General Rafael Montero Revette by an unidentified reporter at Miraflores Palace in Caracas; from "The News" newscast—live]

[FBIS Translated Text] [Reporter] We are at Miraflores Palace, where a last-minute announcement has just been made concerning the appointment of a new defense minister. The announcement follows a meeting between the president of the Republic and the National Armed Forces [FAN] High Command.

At any rate, we are here with outgoing Defense Minister General Rafael Montero Revette, who will explain the new High Command appointments. Mr. Minister, please go ahead.

[Revette] The new FAN High Command appointed by the president of the Republic is as follows:

Defense minister: Gen. Orozco Graterol;

Army commander general: Gen. Pedro Nicolas Valencia Vivas;

Navy commander: Vice Admiral Jesus Briceno Garcia;

Air Force commander: Gen. Agustin Blasco;

Armed Forces of Cooperation commander: Gen. Julio Pena Sanchez.

There also will be other appointments among the various branches under the FAN High Command, the head of the High Command, and the inspector general, all of which new Defense Minister Orozco Graterol will be recommending to the president of the Republic. Those Army and Navy officers who originally were scheduled to retire by 1 January will now retire on 4 January 1995, and the Defense Ministry's change of command ceremony is now scheduled for 5 January at 1000 at the Defense Ministry.

[Reporter] Mr. Minister, what can you say about your overall performance as defense minister, and what is the current situation within the FAN?

[Revette] In terms of overall performance, we could say it has been quite positive. We have mainly worked to improve the standard of living, secure salary increases, and resolve specific problems within various barracks. There was a great deal of teamwork involved in these efforts among the entire FAN High Command, the command of each branch, and the military institution's professional personnel.

At this time the FAN is totally united and working as a team. We are confident that the incoming High Command and the new defense minister will receive tremendous support from the entire military organization. This new command will have great responsibilities. The entire FAN would like to wish Gen. Orozco the best success, and we are certain that, along with his new FAN High Command, he will continue to work for the good of Venezuela.

Fogade President Discusses Progreso, Banking Situation

PA2212194494 Caracas Venevision Television Network in Spanish 1030 GMT 20 Dec 94

[Interview with Norys Aguirre, president of the Deposit Guarantee and Banking Protection Fund, Fogade, by Barbara Estanga; from the "24 Hours" program—live]

[FBIS Translated Text] [Estanga] There is a strong contradiction in what Bank Superintendent Tesalio Cadena... [pauses] who by the way no longer is in the country; he is on vacation. However, on certain occasions you have supported [words indistinct] what Tesalio Cadenas says on the amount of the millions withdrawn by some private and government institutions from Grupo Latinoamericana and Grupo Progreso, while Fogade was [word indistinct] the funds? Isn't this somewhat contradictory? How can you explain this double talk to the country?

[Aguirre] Good morning, Barbara. First, I do not believe that we have been engaging in any sort of double talk. I do maintain that the issue of the funds and who withdrew what deposits from Grupo Progreso is immaterial.

This is not the most important issue. As someone commented yesterday, this is all irrelevant when compared to the liquidity problem that was never solved. It is also irrelevant when compared to a liquidity problem that Progreso shareholders were unable to solve.

The Venezuelan Government is only interested in the banks recovering their liquidity in order to continue lending and providing services which we all need. The recent IMF annual report, that I was reading about in today's newspaper, says that the final measure that should be adopted in trying to solve liquidity problems facing financial institutions should be injection of resources. This is exactly what we did; that was the government's decision. This has been the Financial Emergency Board's responsibility since its creation last July.

Of course there has been a combination of withdrawals, since we are not just talking about official deposits. Keep in mind that at this time of the year we are also paying bonuses and we are completing budget payments. Anybody working for the government knows very well that any part of the budget that goes unused cannot be used next year. Therefore what we are doing now is finalizing the last budget items.

In addition, we also have the private sector withdrawing funds. Businesses are withdrawing because they have to pay wages as needed. The business sector also has to pay bonuses, profits, and vacations, in those companies where applicable, according to collective bargaining agreements. So the private sector is also withdrawing.

Last night on this program I watched someone comment on the Venezuelan consumer's attitude during the Christmas holidays. For this, we all withdraw money from our savings accounts. We are all withdrawing money from the banks.

[Estanga] But it is important for us to clarify the situation, because it is being said that we are all involved in a sort of tropical fantasy. Many might even say that all these withdrawals during the Christmas season might lead to a situation similar to what the Grupo Progreso and Grupo Latinoamericana are now facing since [words indistinct] banking transactions...

[Aguirre, interrupting] That's right, but it isn't just that. Keep in mind that a specific banking group was already losing the confidence of its depositors. One of the most important assets any bank has is the confidence of its depositors. From the moment confidence is lost the state must begin to take measures.

During August, when we received guarantees from the major stockholders and we implemented measures to solve what we thought would be a transitory liquidity problem, at that time the compensations began to stabilize, and we recovered the public's trust. But two months later the problem grew worse. That is why the government decided to adopt the Financial Emergency Board's recommendation to nationalize Grupo Progreso. The decision was based simply on the knowledge that confidence in the group had evaporated; withdrawals were substantial. That is why I have said that the problem not only lies in [words indistinct] but also in depositors' lack of confidence. Who are the depositors? Well, private and public corporations, individuals, and so on. It is a combination of all of these things that I have mentioned.

[Estanga] In any case, this loss of confidence you mentioned, we don't want to think that it also originates in the government? Is this the case?

[Aguirre] In any case...

[Estanga, interrupting] [Words indistinct] Fogade in all of this?

[Aguirre] No.

[Estanga] Why?

[Aguirre] Those are two different issues.

[Estanga] Really?

[Aguirre] Because we are talking about depositors' loss of confidence [words indistinct] in a financial institution. When confidence is lost, the stockholder must adopt adequate measures. When depositors begin to lose confidence, usually liquidity problems follow close behind. So what did we do? We decided to solve the liquidity problem of those institutions so that they could continue providing adequate services.

We acted just as we did with Banco de Venezuela and Banco Consolidado. Last Friday I met with the managers of Banco de Venezuela. They told us that savings are growing at a rate of nearly 1 million to 1.5 million bolivares a day. Deposits have grown more than 10 billion bolivares since the nationalization of the bank in August.

We are talking about the Banco de Venezuela. The Banco Consolidado is also in a [words indistinct]. A meeting has just been held to recapitalize it. Something similar must be done with Grupo Progreso and Grupo Latinoamericana.

Now, Fogade's autonomy is something else again. After some discussion in the Congress and by concerned outside groups, Venezuela chose to spread the supervising agencies out. This model is as valid as the one in various countries that uses centralized supervision. We chose the U.S. model. Nevertheless, as I said in Congress when the emergency proposal was being debated, this institution would do best if placed under the Central Bank for the simple reason that the Central Bank has all the information on the country's macroeconomic variables, all sectors, how the system's immediate and short-term liquidity behaves. It is also the bank with better instruments, technology, and human rights.

Both the General Bank Superintendency and Fogade have taken steps. In fact, a short-term plan has just been approved, which we are implementing through Cordiplan [Office of Coordination and Planning] with the World Bank and the IDB [Inter-American Development Bank], to deal with very (?urgent) problems both in the General Bank Superintendency and Fogade.

Rebuilding these institutions will take a long time because we have a certain problem in the official sector. I am unable to fire someone who has failed to do his job because I must overcome 20 or 30 bureaucratic hurdles in doing so particularly if the person is a career employee. This is because we have misunderstood the nature of a career employee. This official should be someone who, like [words indistinct] has been preparing since the beginning of his career and is being given a long-term career with a definite purpose. But he should not be someone who reaches a certain position, like mayor of Caracas, without either the qualifications or experience for the position. If Fogade and the General Bank Superintendency have such problems when hiring or firing people, the reconstruction of these institutions will either be very difficult or take a very long time. Consequently, it would be advisable to put these institutions under the Central Bank's authority.

[Estanga] Yesterday the attorney general made some remarks, not only about certain political figures, but about Fogade. He spoke about the political connections of the bankers and other people involved who have participated in this financial situation in Venezuela.

[Aguirre] I have been reading the attorney general's remarks. He did not mention Fogade at all. What he mentioned is something with which we are all familiar, something not new in the country. Everything done in the country in the past 30 years was based on connections, where bankers had mentors in the Congress. This explains why a new banking law was discussed for three years and never approved. This explains why the capital market proposal, which has been ready for the past three years, has been shelved in the Congress. This is not new. This is true. For the past 30 years, Venezuela has been ruled by connections, political sponsors that have been necessary to have a proposal approved. Every proposal had its own political mentor in Congress.

This is what is happening in Venezuela; this is what must end. The other day, I thought: Countries change rapidly in wartime. We are virtually at war. A financial crisis where more than 14 percent of the GNP affects more than 70 percent of the financial markets and more than 60 percent of the insurance markets is truly a war. We must change. This is a positive step for the Venezuelan people. We will have to get used to working with other values.

[Estanga] During the past few days, even yesterday, Senator [word indistinct] filed a complaint with the Prosecutor General's Office. Change is pretty much promoted by our country's political leaders. But right now some changes are being promoted by part of the government whose activities are in question. That was the reason for the mass withdrawals. There was a proposal. Therefore, not only is an investigation necessary, but that investigation should include [words indistinct] technical and governmental [words indistinct] and in any event the bank superintendent [words indistinct] spoke without any basis (words indistinct] summoned by the congressional finance commission. We understand that the bank superintendent was going to be summoned, but now it seems that you have been left alone. We would like to know Fogade's position.

[Aguirre] First, I cannot speak for the bank superintendent. I was not present when he made his statement. I read about it in the newspapers. I believe we must think about the investigations and the [words indistinct] in Venezuela, after the state has made such a great sacrifice, to protect who? We are not protecting the bankers. Either bankers will be punished if they are found guilty, or they have already lost their financial institutions.

The government's decision, through the Financial Emergency Board, has been to keep the banks open, so that depositors, the million or so insurance policy holders in Grupo Latinoamericana and Grupo Progreso can continue owning their policies, so that the 200 billion [currency not specified] in deposits left in that bank, the more than 100 billion in the Banco Consolidado, and the 150 billion in the Banco de Venezuela can be available to depositors.

It would be very sad if by the end of the day, government officials, all the members of the national government, were judged while those who started the crisis have not been judged. We should take advantage of the upcoming holidays to think a little. As the attorney general said a few days ago, instead of everybody working independently, we should join forces to pull our country forward.

[Estanga] The situation is certainly unfortunate and sad. As you said, a fourth wave of rumors [la cuarta bola] would be [words indistinct] although government officials have said it will not happen. I have other questions, but we will discuss them after a station break.

We are interviewing Fogade President Norys Aguirre about important topics. One of those topics is the possibility of a fourth wave of rumors. This is a very serious problem. Deputy Walter Marquez has said he has significant reports from the General Bank Superintendency in which at least four banks will not be reporting very positive balances in their financial statements. The possibility that the government might intervene in those banks has even been mentioned [words indistinct) of banks in general. What is the real situation and future of those four banks?.

[Aguirre] Regarding this wave of rumors, I have always said that [words indistinct] we have a crisis that began not in January, but much earlier, with all the problems that caused it. Why wasn't an overall solution found in

January or July? For one simple reason: lack of information. When the Financial Emergency Board was founded, all members wanted to have overall information on Venezuela's financial system. Due to multiple problems, however, this was not possible. What we have done, as one of the members of the Financial Emergency Board said, is follow the sausage theory [teoria del salchichon]: We have taken one step at a time when we should have made overarching decisions.

I believe that in January the Financial Emergency Board should gather all the information it needs on the financial system; by then we should have conclusive reports from the General Bank Superintendency.

I also believe we should take into consideration the fact that the General Banking Law that entered into force on 1 January, which was a 180-degree change from the previous law, is a very good law, but for a stable system, for a system without problems. That law previewed that many things could happen during the process of change. As we said, the money could not remain outside the institution; it had to be added to the bank's balance sheet, which cannot be done in 24 hours [words indistinct] a period of adjustments followed. Bankers were told: You have three years to adjust to the new law. We must give banks a chance to adjust. Discussing state control would be sacrificing [words indistinct] 10 more years. At least I disagree with that possibility, and I could never support overall state control, because in the long run, some banks are doing well, while others are not.

[Estanga] Pardon me, but currently [words indistinct] more than 50 percent of the banks are in bad shape...

[Aguirre, interrupting] At least Fogade's position is that we should be bankers for the shortest time possible. We have had to be bankers because the individuals who were granted that concession were not able to manage the concession.

[Estanga] Now, [words indistinct] go back to the first question [words indistinct] on what Venezuelan citizens need to know. Are there signs of other banks that could also [words indistinct]?

[Aguirre, interrupting] All the banks, all... [pauses] There is not one bank that does not have problems, because we have an economy that is in recession. This is an economy subjected to high interest rates, to high [words indistinct] for more than two years. Every day we see companies coming under the control of banks because they cannot survive. We have bankruptcies; we have significant delays in payments by private companies. Therefore, if the banks have to finance the economy, they cannot be expected to be in good shape.

[Estanga] [Words indistinct] the financial sector for many represents another negative point of the Venezuelan crisis. President Caldera has said that the Venezuelan financial crisis is probably one of the worst in the world. The fact that he is the one saying this gives cause for alarm. What is more, there is a large number of citizens... [pauses]

Yesterday some [words indistinct] drew my attention. In the financial arena, Fogade's budget is 1.6 (?trillion) bolivares, please correct me if I'm wrong. In 1994 its budget was 500 billion bolivares more than PDVSA's [Venezuelan Petroleum]; it was [words indistinct] the government per employee. I do not know if the medicine is worse than the illness, because if all that money is [words indistinct] among other things, Venezuelans are interested in public services, their needs are truly being [words indistinct].

[Aguirre] Therein lies everyone's big confusion and uncertainty. [Words indistinct] the nation's budget should be earmarked for basic matters, basic needs such as health, education, housing for the neediest. Nevertheless, if these [word indistinct] had not been taken, if the banks had not been recapitalized, what would have happened to the depositors? I only want to ask that question because the granting of aid to the banks was criticized. The president himself has said it: It was done to protect the depositors. This is definitely true. It was done so that those depositors could collect their savings. Why did the government capitalize Fogade with 400 billion bolivares? It was done to pay the depositors in the banks in which the government intervened. The Bank of Venezuela was capitalized so that it could continue its services.

Then, [words indistinct] if had we not been forced to integrate the bolivar in the financial aid, [words indistinct] would not have been one bolivar for the banks' capitalization. But their owners, their shareholders were incapable of doing this, none of them was capable of...

[Estanga, interrupting] Can these depositors, these Venezuelan citizens who had their money in the banks, still be expected to trust the banks that [words indistinct], in the intervened banks. What will happen to the Progreso depositors? And what will happen to the people who have more than 4 million bolivares deposited? When will this payment process begin?

[Aguirre] These are two different things. The savers and depositors in the Grupo Progreso and Grupo Latinamericano have to look at what is happening in Venezuela and what is happening at Consolidado. They must leave their deposits there, just as they would have at another time. Those banks will be recapitalized by Fogade.

Your other question, on those who have more than 4 million bolivares in the banks in which the government has intervened, in the banks that have closed their doors: Unfortunately Fogade must work in strict compliance with the law, therefore we cannot pay more than 4 million in those institutions, unless the laws change.

[Estanga] At any rate [words indistinct] at this time [words indistinct] even though officials have said on previous occasions that there would be no more interventions, there have in fact been interventions.

[Aguirre] We have said there would be no more interventions behind closed doors, and there have not been any. The Financial Emergency Board's policy has been to allow banks to keep their doors open. We want the banks to continue providing services. If this means they must temporarily be turned over to Fogade, so be it, but there will be no interventions behind closed doors.

[Estanga] I have some questions here from all over the country. When will the banks in which the government has intervened pay out on checks, both those in the clearinghouse and those in the public's hands?

[Aguirre] Cashier's checks, clearinghouse checks have begun to be paid, as you can see from the ads published by Banco de Construccion. Now the only thing Fogade does is to provide resources. Unfortunately, Fogade cannot do the jobs of the government-appointed administrators because, as they say themselves, they are autonomous and independent.

[Estanga] When will the social benefits be paid to the employees of the Agriculture-Livestock Development Bank [Bandagro], which is now in Fogade's hands?

[Aguirre] Fogade has in its hands the liquidation of Bandagro; virtually 90 percent of what was left of the liquidation was turned over to the Attorney General's Office.

[Estanga] [Words indistinct] this last financial wave stems largely from the rumors generated against the Group.

[Aguirre] I believe there could be some truth to that. I had seen it in some newspaper headlines and in leaflets distributed everywhere. I believe Venzuelans should take advantage of these last 15 days of the year to think about whether we want to have a country for our children and our grandchildren. Forgive me for taking a few extra minutes, but I believe we have to change. We have to start working hard. If we do not work hard and if we are not disciplined, it is going to be very difficult to extract the country from its current situation.

[Estanga] I have many more questions here, but our time is up. But we'll ask one of them. When will dividends on savings certificates be paid by Banco Metropolitano? That is one of the questions.

[Aguirre] I suggest that depositors in the banks in which the government has intervened speak to the government-appointed administrators.

[Estanga] Thank you very much, Norys Aguirre, for answering some of the questions about the latest financial incidents that have occurred in our country in the last few days.

Attorney General Summons Deputy on 'Noteworthy Bandits'

PA2312192294 Caracas REPORTE DE LA ECONOMIA in Spanish 22 Dec 94 p 2

[Report by Carolina Hidalgo]

[FBIS Translated Text] Attorney General Jesus Petit da Costa again summoned Deputy Paulina Gamuz to present the evidence indicating his office has hired law offices devoted to extorting the debtors of the intervened banks.

This action has become the war of the last few days. Petit asked Gamuz yesterday at the Miraflores Palace to give names, addresses, and telephone numbers of these lawyers, whom the high-ranking official called "noteworthy bandits."

I want names, surnames, addresses, and telephone numbers. I want to know what these law offices are and what cases they took. She said these lawyers acted in certain cases involving the assets confiscated by the Attorney General's Office. She called these lawyers noteworthy too. I want to know who these noteworthies are, because if these noteworthies act in this manner, they are noteworthy bandits.

He maintained that he has not hired any law office whatsoever so far and emphatically said he wants to be informed of any irregularity to proceed accordingly.

I am a man who did not get to the Attorney General's Office to mar my reputation; this reason is why I act in broad daylight. Whatever needs to be seen at the Attorney General's Office could be investigated.

Fogade [Deposit Guarantee and Bank Protection Fund] Must Act

Petit said Fogade or the intervening boards, not the Attorney General's Office, are the ones that need to take the corresponding actions against the bankers of these institutions.

This response was how the attorney general answered Fogade President Norys Aguirre, who stated recently she had presented the necessary documents to the Prosecutor's Office for it to take appropriate steps.

Petit da Costa said: "The attorney general's prosecutor can further criminal actions, but Fogade and the intervention councils must make what is called a direct accusation."

He said that the Attorney General's Office, acknowledging Fogade's request, could initiate those trials but that only the shareholders councils of the Consolidado and Venezuela Banks had taken a position in this respect up to now.

Liquid Regulations

The attorney general confirmed he had presented to the president of the Republic a draft with the regulations to liquidate the intervened banks under the General Banking Law.

We have done this action to cooperate with the executive. We do not want the events of the Comercio and Nacinal de Descuento Banks to occur again.

The regulation includes procedures for liquidation in case it is to be carried out by Fogade or if the latter delegates this function to the FIV [Venezuelan Investment Fund], as the General Banking Law stipulates.

The president of the Republic has the draft and will decide the opportune time to present it for the consideration of the Council of Ministers.

Armed Forces: Populating Border Areas 'No Easy Task'

PA2512170494 Caracas EL GLOBO in Spanish 23 Dec 94 p 3

[Report by Jose Ramon Diaz]

[FBIS Translated Text] Despite the plans the Permanent Secretariat of the National Council for Security and Defense (Seconasede) is implementing to populate and fully integrate the country's border areas, the National Armed Forces [FAN] believe this goal is no easy task.

This opinion is reflected in an analysis by high-ranking military leaders. They believe it is difficult to implement projects designed by Seconasede during the leadership of Army Division General Alberto Emerich Esqueda Torres, who is serving as military attache abroad.

Why is it difficult? Most military leaders agree on the need to integrate border areas. This goal would be ideal to facilitate their protection, but they said air bases would have to be activated, and a large number of troops would have to be deployed to the commands of various military compenents in southern states such as Apure, Amazonas, Bolivar, and Delta Amacuro in order to accomplish this goal.

Most FAN members concur with this finding, and Defense Minister Army General Rafael Montero Revette himself has become a spokesman for this position.

He defended it not long ago during the presentation of the Project for the Development of the South [Proyecto de Desarrollo del Sur—Prodessur], a grand FAN multidisciplinary project.

The men of the high command said all state organizations helped ensure the program presented by Seconasede yields the desired results, but they warned they have found no receptivity in practice in other important administrative sectors of the government. It seems, they added, Seconasede is moving along with its plans while other official organizations are indifferent to them.

Prodessur covers 573,000 square km, that is, 58 percent of Venezuelan territory. Thus, FAN needs equipment and resources it unfortunately does not have in order to fulfill this plan in border areas.

One of the factors adversely affecting this project is the situation facing states bordering with Colombia, such as Apure and Amazonas, where the guerrillas and drug traffickers harass the people of the two countries daily although they have signed joint agreements to fight these scourges.

Montero said the best example of this point is that "there are border areas where government authorities are virtually imposed by Colombian guerrillas, and this situation makes finding a solution even more difficult."

Moreover, the minister added, gasoline contraband, vehicle thefts, gunrunning, and illegal mining are among the other problems that must be solved.

Concerning the borders the states of Amazonas and Bolivar share with Brazil, FAN believes Venezuela is an economically privileged country, because local investors can take advantage of the fact such areas, which are heavily populated, need supplies.

Montero said illegal mining and river contamination are the problems confronted with Brazil, adding that the two countries are analyzing these problems, and this point demonstrates there is political willingness.

FAN realizes with regard to Guyana, which borders with the states of Delta Amacuro and Bolivar, the authorities of the two countries know a legal void exists. FAN has no information, however, about the state of the talks regarding their differences.

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